ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 177 Number 5196 | New York 7, N. Y., Thursday, February 19, 1953 | Price 40 Cents a Copy

EDITORIAL

As We See It

At the always much publicized Jefferson-Jackson Day Dinner last week, Adlai E. Stevenson, the unsuccessful Democratic candidate for the Presidency last year, must have succeeded in convincing at least some of his supporters that the American people acted wisely after all in selecting some other man to occupy the White House for the next four years. There was a good deal more than a long list of rather doubtful quips and strained play on words to condemn this address. A candidate for high office who at times at least seemed last Fall to be struggling to keep a campaign above the level of petty politics, popular prejudices and party pressures, seems now to have become a vassal to much that is petty and unworthy in modern politics. He pays his respects to his former high standards with an incidental phrase here and there, but they seem to be a "tale of little meaning," and the words are usually not even strong.

It was to be expected, of course—our politics being what they are — that no holds would be barred, and that every opportunity would be seized to "grab an issue" whether or not one really existed. One could hardly expect all members of an opposition party to refrain from attempts to make the worse appear the better reason, or even from twisting truth in an effort to make a trap for thoughtless and prejudiced voters. All this, somehow, appears to be part and parcel of our way of "playing politics" in this country. This annual dinner of the Democratic party, moreover, is a "party affair." There one

Continued on page 44

Can Crisis in International Trade Be Remedied?

By MELCHIOR PALYI*

Dr. Palyi, contending bolstered world trade in recent years is result of U. S. foreign aid, and "we are carrying international trade on crutches," says basic rule now of administering foreign aid is to reward weakness and punish recovery. Sees need of streamlining our foreign aid procedures, and holds European statesmen are aiming at a devaluation of the dollar, which would be ruinous to us. Calls European unification "a meaningless concept." Holds Europe is not capable of major rearmament and European countries cannot restore their solvency without restoring convertibility of their currencies.

We are at a turning point—that is, we might be at a turning point, having a new regime and something of a new spirit. At least there is a recognition of problems. The basic problem is economic aid abroad. The world's trade of the postwar years rested on American aid. True, statistically, foreign trade is growing quite in proportion to the rise of prices; even the physical volume of international trade is actually greater than it was, say, in 1937.

Dr. Melchior Palyi

It should be interesting to compare: Some 120 years ago, in the 1830's, the world's total of exports (in c.i.f. terms) was estimated at \$1 billion. By 1900, it was about \$10 billion. These are, of course, very rough estimates. At the outbreak of World War I, \$20 billion; by 1929, a little over \$30 billion was the estimate.

Now then, by 1937, the figure was \$24 billion or below where it stood in 1929, but of course prices had fallen in the meantime. Physical volume, therefore, has appreciably risen in spite of the depression. In 1948 it was \$54 billion, \$30 billion more than a

Continued on page 36

*An address by Dr. Palyi before the Export Managers Club of Chicago, Inc., Chicago, Ill.

A Free World Can't Trade On a One-Way Street

By HENRY FORD, II*
President, Ford Motor Company

Prominent automobile executive, holding our two main concerns are, first, to maintain a high level of production and employment, and, secondly, to strengthen free-world front against Communist aggression, says these objectives can be served through expansion of world trade. Contends free nations cannot exist unless they have markets in U. S., and urges tariffs and other barriers against imports be eliminated. Says increase in U. S. imports is only satisfactory answer to "dollar gap" and asserts U. S. industry need not fear end of tariff barriers.

We are living in an age when faster and faster communication is being developed between greater and greater numbers of people. In our own lifetime, we have seen some fairly sensational developments. Airplanes have brought the towers of Chicago—including one or two of the ivory variety—within a few hours of London or Honolulu. The telephone has brought us even closer together, and the radio and television have made communications practically instantaneous.

Henry Ford, II

Then, there is that other medium which some people say is even faster than instantaneous on occasion. I mean, of course, the press.

Certainly, therefore, this seems an appropriate time and place to discuss some of the problems that face us in communicating with other people. I say the place is important because, startling as it may seem to many Americans, our often called "isolationist" Midwest is one of the great trading areas of the world.

Illinois alone receives about one billion dollars a year from industrial and agricultural exports and the handling of them. Our Port of Detroit, in Michigan, ranks second

Continued on page 46

*An address by Mr. Ford at the Annual Winter Meeting of the Inland Daily Press Association, Chicago, Ill., Feb. 17, 1953.

PICTURES IN THIS ISSUE—Candid shots taken at the 29th Annual Winter Dinner of the Boston Securities Traders Ass'n appear in the pictorial section, starting on page 25.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

ALBERT H. DEUBLE
President, Yorkville Exchange Co., Inc., New York City
Members of N. A. S. D.

American & Foreign Power 4.8% Debentures of 1987

At a time when doubts about the general outlook for the market are increasing, the safest and most profitable course to follow is to look for neglected situations. Of course, they are hard to find. It is therefore surprising to discover a bond of the businessman's risk type selling to yield about 7.25% on a current basis and giving up to 20% if the existing borrowing possibilities through the banks (25% down and 3½% interest) are fully exploited. I suggest the 4.8% debentures of American & Foreign Power due 1987 as an interesting situation with appreciation possibilities over the course of time of between 15% and 25%.


Albert H. Deuble

Almost a year ago, on March 4, 1952, the new bonds of the reorganized American & Foreign Power Company Inc., were introduced on the New York Stock Exchange. The enthusiasm for the new bonds and stock of this old company (founded in 1923) was short-lived. It ended with the coup of Batista in Cuba. Further trouble spots developed in Chile and Brazil but as usual, the fears were very much exaggerated as proven by two recent dividend declarations on the common stock. Fifteen cents will be paid on the common to stockholders of record Feb. 10. Thus it is amply proven that Foreign Power receives more than sufficient foreign exchange from its Latin-American subsidiaries not only to service its bonds but will also have sufficient funds available for its stockholders of which Electric Bond and Share is one of the largest. Even the conservative New York "Times" assures us that "Brazil Trade Debt Nearing Solution." In fact, cash and temporary cash investments of American & Foreign Power Co., Inc., at Dec. 31, 1952 totalled $15,560,000. President Robinson said that this balance was after 1952 advances of $3,580,000 to Brazilian subsidiaries for construction. The foreign subsidiaries plan to reimburse the parent company through borrowings from the Export-Import Bank.

To the investor and speculator the basic attraction of Foreign Power is its key position in the industrial world revolution which is so great a political and economic feature in our times, states one analyst. Its subsidiaries operate in countries where this industrial revolution is in its infancy and where great progress has been made in recent years because of record demand for their raw materials. With the steadily rising demand for power the gross income of the operating companies will continue to increase. It is to the advantage of the company that its operations are spread over many countries. It can be estimated that the gross revenues are derived as follows: Brazil 28%, Cuba 26%, Chile 18%, Mexico 9%, Venezuela 5%, Argentina 5% (from time to time negotiations are carried on with the Argentinian Government in order to obtain compensation for plants expropriated by that country and the company could derive great advantage from a cash settlement if and when it is reached because an investment of about $117,000,000 is at stake), Colombia and Panama 3% each, Guatemala, Costa Rica and Ecuador 1% each.

The new 4.8% Debentures are fixed interest obligations and rank junior to the Gold Debentures (5% due 2030) but these Juniors have a substantial sinking fund and have a considerable earlier maturity (43 years). The spread of about 15 points seems hardly justified. Its asset coverage, after satisfying senior priorities, is about $4,000 per bond. There are about 7,160,000 common shares outstanding which are traded actively on the big board around nine dollars a share. At present prices, the best play should be obtained through the bonds which provide a high return protected through a very good interest coverage (more than two times) and good speculative possibilities.

There are also indications that the new Eisenhower Administration might pay more attention to its Latin American backyard than has been done in the recent past. In conclusion let me say: The risk in American Foreign Power 4.8% Debentures selling at present around 66% seems very small; the return is excellent and, if bank financing is considered, almost fantastically high; the patient holder has good profit possibilities.

S. LOGAN STIRLING
Manager, Investment & Research Dept.
Eastman, Dillon & Co., N. Y. City
Members New York Stock Exchange

"Servel Inc."

The lengthening days and the warmer than average winter to date make most of us think of the coming spring and summer, while mention of the latter only serves to bring the mind the very uncomfortable summer of 1952, especially for those who managed to exist without air-conditioning in their offices or homes. Air-conditioning is still in its infancy and in recent months it has become apparent that this industry might readily develop along boom-like proportions and, with this in mind, I submit the stock of Servel as one of the issues most likely to succeed in the market in the months ahead.


S. Logan Stirling

Servel has enjoyed a long and successful history in the refrigeration industry and following a change in top management some three years ago, it has embarked on a new manufacturing and merchandising program. As a result, it has broken away from its long association as a major manufacturer of gas-fired refrigerators and is now offering its new 1953 line of products which will include both gas and electric household refrigerators, the latter having an exclusive and revolutionary automatic ice-making device on an optional basis, "all year" air conditioning equipment, room air conditioners, automatic ice-making machines, food freezers, and the new electric Wonderbar. The company's most promising growth is expected to come from its new and rapidly expanding air-conditioning division. It is expected to become a leading factor in the manufacture of an all year air-conditioning system that cools in the summer and heats in the winter, all from one simple unit which can be powered by either gas, oil, or steam. Within the next few years Servel believes its air-conditioning activity may become the largest single factor in its business. It specializes in installations up to 100 ton capacity and is directing sales efforts at residential, commercial, and industrial installations, in both new and existing construction.

Servel, for the first time, expects to become an important factor in the room air-conditioning field. A completely new design approach has been used to create an attractive window unit air-conditioner. The interior cabinet is of one piece plastic of pleasing design. In addition, the product has other unique features among which is single dial control of all functions of operations. In addition, the company has certain cost advantages in the manufacture of these window units which enables it to price them advantageously from a competitive standpoint. The industry is estimating a total demand this year of between 500,000 and 600,000 window air-conditioning units and Servel believes it can obtain at least 10% of this total. This figure would compare with 412,000 units sold in 1952 while industry authorities predict sale of window units will more than double the 1953 rate over the next few years. While there is expected to be lots of competition in this division from now on, Servel will rank as one of the larger factors in the business. It is also possible that at a later date Servel may undertake to produce room coolers for other companies under their respective trade names. Servel purchases its condensers from specialists in this field but makes its own compressors and exterior cabinets.

The successful introduction of Servel's new electric Wonderbar last September (normally the beginning of the slack selling season) far exceeded expectations. This portable refrigerette is silent, without moving parts, and styled as modern furniture in an all-plastic cabinet, and was designed for use in various rooms in the home, office, outside terraces, etc. Production was originally started at 100 units per day last September, but because of the unexpected demand, the production rate is now up to 300 units per day and the company is behind on its unfilled orders. All of Servel's air-conditioning and refrigeration equipment features no moving parts, which provide a longer life expectancy, quieter operation, no vibration, and are

Continued on page 41

This Week's Forum Participants and Their Selections

American & Foreign Power 4.8% Debentures of 1987—Albert H. Deuble, President, Yorkville Exchange Co., Inc., New York City. (Page 2)

Servel, Inc.—S. Logan Stirling, Mgr., Investment & Research Dept., Eastman, Dillon & Co., New York City. (Page 2)

Business Prospects With Decreased Defense Spending

By M. JOSEPH MEEHAN*
Director, Office of Business Economics,
U. S. Department of Commerce

Contending American business apparently fears no serious business recession before 1956 at earliest, Commerce Department analyst cites continued heavy capital investment as evidence of general confidence. Warns, however, any sharp reduction in business activity may change plans for new capital outlays and lead to drastic contraction. Looks for little let-up in defense spending this year.

The desire to look ahead and anticipate coming problems has long been a characteristic of American business. When major changes can be foreseen—as at the end of a period of extraordinary rise in government expenditures for armaments—the need for soundly-based forward plans and programs heightens this normal desire.


M. Joseph Meehan

In tackling problems involving the future, the first difficulty encountered is that of facing the uncertainties of the world in which we live. There is a great temptation to stop right there—since to cope with them it is necessary to make estimates, and the estimates may be taken as evidence of an attempt to forecast exactly what will happen next.

Viewed in another light, however, such basic difficulties as this simply underscore and give point to the desire of business for an analysis of the uncertain period ahead. The Department of Commerce, recognizing this situation, thought it necessary to make an evaluation on the basis of the best present-day judgments that could be formulated.

In this regard our thinking was paralleled by that of the Committee for Economic Development, which once before had pioneered in the task of helping business reconvert from military to civilian goods output. Long before the end of the last war the CED had collaborated with the Department of Commerce in calling the attention of business to the possible shape of things to come. At that time, in 1942, the year of its organization, the CED had asked us to survey the economic horizon, and a few months later the Department issued a report entitled "Markets After the War." It was reprinted and widely circulated by CED, whose field organization made it the subject of discussion throughout the country in meetings of leading businessmen.

A Survey of Trends

Last year in the discussions which led to the initiation of another such study in July, 1952, business leaders emphasized the need for a survey that would project major economic trends as far as was feasible toward the year 1955. As you will realize, we early recognized the difficulties involved in such an undertaking and I believe that the text of our new report on "Markets After the Defense Expansion" shows that we are fully cognizant of them.

But we were aided and encouraged by business. They gave us the benefit of their forward plans. In preparing our report we had the advice and counsel of a special advisory group of 19 outstanding business and university economists and of staff members of the Committee for Economic Development. We had also the cooperation and assistance of other Federal agencies.

I can here attempt only to review some of the more general findings resulting from our look into the murky period ahead. I shall undertake later to describe briefly the **process** by which such an analysis is conducted—in short, to explain what lay behind these 90 printed pages. The first major problems we faced were the determination of the general pattern of defense expenditures, projected at the year-end, and an evaluation of the prospects in the various private markets for both investment and consumption goods.

In summarizing the results, I shall not go into the qualifications, which of necessity are set forth fully in the report itself. The over-all conclusions as to the outlook follow.

The prospective rise in defense expenditures, the continued strong trend of investment by business, and the current satisfactory inventory position point toward the strong probability, though of course no certainty, of another year of good business in 1953.

Productive resources appear adequate to forestall sizable general price rises unless an inventory boom should develop or international relations seriously deteriorate. However, moderate price advances in areas which have previously lagged, such as rents, are to be expected.

The prospect for 1954 naturally was viewed as more uncertain. In part, this is simply because the period is more remote and the basic assumptions still less firmly founded.

But one fact we considered of major significance. The sum of

Continued on page 24

*An address by Mr. Meehan at the Marketing Conference of the American Management Association, New York City, Feb. 9, 1953.

INDEX

*See article "The Canadian Economic Scene" on Page 20.
**Not available this week.

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, February 19, 1953
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.
Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $45.00 per year; in Dominion of Canada, $48.00 per year. Other Countries, $52.00 per year.
Other Publications
Bank and Quotation Record — Monthly, $30.00 per year. (Foreign postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The Dimes Have Changed

By IRA U. COBLEIGH

Author of "Expanding Your Income"

An investor-slanted view of a distinguished merchandising organization which is almost as deep in the American tradition as baseball and apple pie — the Woolworth Five and Ten.

Ira U. Cobleigh

Seventy-three years ago, in Watertown, New York, the pioneer Woolworth unit first saw the light of day; and while since the gaslight era, the stores have been famous for their barn-red nameplates, red figures have been noticeably absent from the earnings statements of this eminent merchant enterprise. In the 1952 annual report, just issued, a fascinating saga of sustained profitability and unbroken dividend payments is revealed for 40 consecutive years. In these two generations, the company never showed a loss, never earned less than $2.26 a share net (1943, a war year), never paid less than $1.60. Further 100 shares of Woolworth, worth in Dec., 1919 $12,000, has grown with stock dividends, to 1950 shares today, worth $87,750 at 45; and not counting a boatload of cash dividends through the years. With all the current talk about growth, get a load of the Woolworth story.

Still Growing

While some analysts have now tagged the outfit as a "mature" company, and the growth rate may have slowed, there is no real reason to believe this resplendent retailer has stopped growing. For 1952 its sales were largest in history, $712.6 million; and the top brass predicts a new high for 1953. While the total number of stores is down from the all-time high, 2,027 in 1940, the stores sloughed off were poor earners. Right now there are 1,787 stores in the U. S. 165 in Canada and eight in Cuba. The farthest North is in Prince Rupert, British Columbia, up towards the Alaskan border. New faces on the Woolworth map for 1952, included 19 stores in suburban shopping areas, with proper parking space, such as the ones in Atlanta and Akron; and there's a snazzy new unit in Grand Prairie, Texas. One of the largest stores is in San Francisco, moved in 1952 to the Flood Building—two floors of the latest thing in streamlined sales bait. Altogether 31 new stores opened, and 14 shuttered last year.

Bird Cages and Electric Drills

Somehow the word verticality seems significant in talking about Woolworth. One of the earlier skyscrapers, the Woolworth Building, suggests that; and today verticality is evidence by two more things. While it is true that, except for the N. Y. Store, two floors at most plus a basement, with connecting escalators, is the standard pattern, verticality is found in the constantly rising price-top. Time was when the limit was 25c or perhaps 50c. Now, however, you can mosey into the five and dime and spend $10 for a bird cage or a lamp, perhaps $50 for an electric drill or saw for your cellar work bench; and tucked away in corners of some of the newer stores you'll find even costlier articles being offered for sale in an experimental sort of way. Of course, this trend to higher priced items has some limits in a chain famed for a million low priced articles, all sold on a strictly cash and carry basis. For instance, most televisions and appliances are sold on credit, and you'd hardly expect Woolworth to offer motor cars, like Sears Roebuck.

Merchandising Skill

The third illustration of verticality I had in mind was display. Remember the old days when each Woolworth counter used to spread out before you like a minute flat prairie; with dozens of little partitioned areas, each laced with a plethora of gadgets? Well today it's different and the counters you gaze at are more like mountain rangers, piled cleverly and neatly, in a tapering mound toward the ceiling. At the eye level, literally, hundreds of items peer out at you from this chrome, glass and plastic Alpine ridge. Verticality I call it.

What all this amounts to is that each strolling shopper who wanders into Woolworth's, often without any special purchase in mind, sees this, and sees that; and after fifteen minutes in the store, has spent two or three bucks. Most Americans have an urge to shop; at Woolworth's they can satisfy that urge at low prices; and they get excellent values. Probably nowhere else can so many buy so much for so little.

Another thing—just ask yourself which is the biggest restaurant chain, or which the biggest bakery chain in the country. I'm not sure that I know, but it might be Woolworth. Many Woolworth stores have lunch counters and the larger stores have full blown restaurants with complete menus with pastries and desserts to match. Tens of thousands eat at Woolworth's everyday.

Another forward trend here is the testing of selfservice stores. Woolworth has three such right now. If they work out well, look for quite a few more—they help to cut the cost of selling.

Shipping costs of goods coming into Woolworth stores have been rising. To offset that, the management has expanded its warehousing program in New York, Chicago & San Francisco; and instead of each store receiving separate shipments of individual items, big quantities of assorted inventory for each retail outlet are assembled and delivered in truck trailer lots.

Foreign Subsidiaries

Something should surely be said about three special items on the latest Woolworth balance sheet. First, standing at $1, is the German subsidiary — 46 stores in Western Germany and West Berlin. No money has come through to America from this source but the stores are prospering and 3 new ones were opened in 1952 out of retained earnings. $1 must be a vast understatement of this asset. Ditto for the $1 item "Good Will."

Thirdly the 52.7% share ownership in the British Company, running 782 stores, is given balance sheet valuation of only $30,879,630; yet it paid $4,911,200 in dividends in 1952; and had a market value at the year-end of $196 million (pound at $2.80). How conservative can you get?

In point of magnitude, F. W. Woolworth Co. is probably the fourth largest retail merchant in America following Sears Roebuck, Atlantic and Pacific, and Montgomery Ward. It has 96,000 employees and a well-defined program of advancement from within the organization. It has about 86,000 stockholders who feel their $2.50 dividend is reasonably protected by 1952 earnings of $3.25 on each of the 9,703,606 shares of common. Also they must feel assured by a year-end balance sheet showing over $100 million in net current assets. No bank loans or subordinated debentures to clutter up the equity here! Fact is Woolworth common, being the sole security, has built-in many of the attributes of the prime bond or preferred.

1952 Report Tells All

If the forward motion of Woolworth is not the splashiest among corporations, there is at least a glacier like quality of progress to be noted — broadening the price structure, steadily moving from smaller to larger stores, upgrading the attractiveness and accessibility of merchandise, and offering constantly newer and wider varieties of small wares. Never before has such fine technique been devised to convert the aimless meanderer through the aisle, into an eager and immediate buyer.

Look at the 1952 Woolworth report. It's splendidly done—readable and revealing—and will show you, in some detail, why this stock is such a reliable equity at all stages of the business tide; and how and why the dimes have changed.

W. T. Bigelow Opens

KANSAS CITY, Mo.—Walter T. Bigelow, Jr. has opened offices at 2509 Buchanan to engage in the securities business.

Chapman Co. Formed

SAN BRUNO, Calif.—Chapman Company is engaging in a securities business from offices at 759 Kains Avenue.

A. L. Henson Opens

DENVER, Colo.—Asa L. Henson is conducting a securities business from offices at 2222 West Thirty-fifth Avenue.

Form Partnership

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — J. Mortimer Clark and Ralph F. Clark have formed a partnership with offices at 58 Sutter Street to engage in the securities business.

Cohen, Simonson Admits

John F. X. Frost will acquire a membership in the New York Stock Exchange and on Feb. 26 will be admitted to partnership in Cohen, Simonson & Co., 120 Broadway, New York City, members of the Exchange.

Korea and the Aftermath

By ROGER W. BABSON

Mr. Babson, tracing the history of the rise and fall of great empires, finds U. S. came into world leadership by default of Great Britain. Says no one can be blamed for this, but responsibilities of leadership must be carried out. Holds peace patched up in Korea will not be permanent, and Russia will still seek world dominance.

Roger W. Babson

It may be out of place for me—a mere statistician — to discuss Korea. I have visited Japan, China and the Philippines; but have never been to Korea. One of my experts, however, leaves this month on a round-the-world trip and will later bring back a report which I will pass along to my readers.

Here at my winter headquarters in Babson Park, Fla., I have a library of over 10,000 volumes, some of which were published previous to 1760. While here the past month I have spent much time reading the history of the modern world, which dates back to the Roman Empire. There are two outstanding facts: (1) Some one nation was always the "top dog." (2) That nation was usually at war with some other nation which was attempting to tip over her "apple-cart."

The Roman Empire started with good leaders and the best intentions, but it was continually at war. These wars were not to seek more power, but to prevent other nations from seizing the power which Rome then held. Every high school student who has studied "Caesar" knows the story. Finally, Rome was economically exhausted with these continual conflicts, and the Roman Empire collapsed. Later, the Spanish Empire took the leadership and went through the same experiences. Then the French took the ball.

Remember the British

Following Rome, Spain and France, England became the world's greatest power. She held this leadership until the first World War. Her battle cruisers were in every large port and she policed the world, and was usually fighting somewhere. She just had to do this to hold her position. England also was rich and did the world's banking, insurance and shipping. The English Pound Sterling was then the world's universal currency, as is our Dollar today. Germany, however, then looked with envious eyes upon England, as Russia is now jealous of us. In her endeavor to continue as "top dog," England went to war against Germany in 1914 and again in 1940. These last two wars bled England so that she is now a second-rate power. There now is little hope of her getting strong again.

What About the U. S. A.?

The United States is now the richest and most powerful nation of the world. We have taken the world leadership from England. But with this leadership come responsibilities. We must police the world. We are like a boy who is the gang leader. In order to so remain, he starts no fights; but if some other boy starts a fight with him or with any member of his gang, he must fight that upstart. Otherwise, he is no longer a leader. His influence is gone. This is the situation which the United States has gotten into. We should blame no one. It just happened.

Unfortunately, we are like the man who had the "bull by the tail." He was asking himself: "Shall I let go or hang on?" If we are to defend our position of leadership we must continue to fight in Korea and wherever we are challenged. This means we must "hang onto the bull's tail"; but this is and will continue to be an unhappy position. On the other hand, if we swallow our pride and withdraw from Korea we become a second-class nation.

We Can Expect No Peace

I have a strong feeling that the Chinese will get tired of the fighting. Then Eisenhower will work out some kind of a temporary peace with Russia which will "save face" all around. But it will be only temporary. Russia does not want World War III so long as Stalin lives; but she is determined to worry us and bleed us economically so long as she can do so.

Mothers, sisters and sweethearts are very anxious to end the Korean War. I think this will be done with honor. But I further forecast that, within a year after the Korean peace, trouble will break out elsewhere. We all must expect our sons to be sent to fight somewhere at some time. The sooner we get used to both worries and taxes, the better for all concerned.

Maggio Company Expands

Chas. J. Maggio Inc., 120 Broadway, New York City, has announced expansion of their facilities. Considerably larger quarters have been taken in 25 Broad St. to accommodate their trading and retail departments. Executive offices will continue at 120 Broadway.

Joins Mann & Gould

(Special to The Financial Chronicle)

SALEM, Mass.—Ralph L. Stapleton has joined the staff of Mann & Gould, 70 Washington Street, members of the Boston Stock Exchange.

With Edw. D. Jones

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Philip A. Rao is now connected with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

There was no material change in the course of industrial production for the nation as a whole the past week since declines in some lines balanced out rises in others. However, aggregate output remained moderately above that of a year ago and held close to the post-war record reached last month. A further comparison reveals that it was about 6% below the all-time peak attained in the final quarter of 1943.

According to latest reports, employment was at the highest level ever reached at this time of the year. Claims for unemployment insurance displayed a seasonal decline and were 5% under the prior week and 12% below the level of a year ago.

In the steel industry, hot on the heels of steel decontrol moves in Washington, consumers are descending on steel companies in what promises to be a mad scramble to "get on the books," states "The Iron Age," national metalworking weekly, in its current report on the steel trade.

This trade authority gives several reasons for the urgency and speed of their reaction among which are the following:

(1) They want first crack at any "free steel" not already allotted to ticket holders between open-ending of the Controlled Materials Plan now and when it is finally dissolved June 30. (2) Since they are now free of unit restrictions on their own production, many steel consumers will be able to use even more steel, copper and aluminum than they had contemplated. (3) Knowing that steel mill policy is to generally take care of customers on a historic basis, they want to be on the books so the mill will have them listed as a regular customer. (4) Sad experience in other periods of steel shortage has taught many consumers, big and small, that their chances of getting steel are better if they have more than one source of supply. (5) After more than two years of steel distribution under CMP many historic customer relationships had become distorted or obliterated. Now quick moves are being make by mills and customers to restore mutually advantageous connections. (6) Under f. o. b. methods of selling steel it is advantageous for consumers to get their steel from nearby mills to save freight costs. CMP distribution procedures and government directives had, in many instances, made this impossible.

After CMP ends June 30, military and atomic energy steel needs will be assured by a system of simple priorities. Mills have already publicly committed themselves to make sure all such needs are taken care of.

Although a selective steel price increase is expected by summer, end of price controls is not expected to foster a new wave of inflation. This was learned by "Iron Age" editors interviewing more than 100 purchasing agents in a dozen industrial areas last week while Office of Price Stabilization was sloughing off price controls right and left.

With exception of a few critical materials such as steel, copper, aluminum, and some super alloys, most industrial materials are in better supply than had been realized. Industrial buyers expect even greater availability in the months ahead, this trade weekly further reports.

The strongest inflationary force mentioned by the purchasing agents was the seventh wage round, already a factor by virtue of the many previously-bargained increases which had been pending before stabilization officials and which now automatically go into effect. These will be soon followed by other new wage agreements, including steel, concludes "The Iron Age."

In the automotive industry strikes and material shortages caused auto output to ease about 1% the past week, according to "Ward's Automotive Reports."

The statistical agency said 114,280 cars were assembled last week, compared with a revised total of 115,643 in the prior week. This was still 43% more than the 79,914 autos turned out in the year-ago week.

The automotive industry hopes for a record first-half output now face a re-examination, states "Ward's" which added, "a serious steel shortage may further complicate the production picture."

The agency still believes that factories might deliver more

Continued on page 40

In Memoriam

THEODORE PRINCE

Theodore Prince, well-known lawyer, investment banker, financial counsel, and writer, died Feb. 17 in his home in New York City.

Theodore Prince

Born in Germany 78 years ago, Mr. Prince was brought to America when a few months old. In his youth he studied law in the evenings after his daytime work in a clothing factory. He attended the Metropolis Law School and New York Law School, receiving an LL.M. degree from the latter. He was admitted to the New York bar in 1898.

Mr. Prince began his Wall Street career in 1912, as an associate of his brother Leo in the firm of L. M. Prince & Co. In 1924 he founded his own bond house, Theodore Prince and Company, which had four seats on the New York Stock Exchange and a membership on the New York Curb Exchange.

He was noted as an authority on railroad organization and financing. He acted as an adviser to the Senate Interstate Commerce Committee on the railroads' reorganization and their return to private ownership. His articles on politics and finance were published in the leading periodicals throughout the world. In recent years he was a regular contributor to the "Commercial and Financial Chronicle" and "Barron's Weekly."

Mr. Prince was a member of the Bond, Bankers, and Westchester Country Clubs, and of the New York Society of Security Analysts.

Surviving him are his wife, the former Helen Levy, and a son, Sidney Prince.

To them the "Chronicle" extends its deep sympathy.

Reinholdt & Gardner Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William J. Board and Charles L. Fisher have been added to the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Board was previously with Looper & Co.

Mallory, Adee Admits

Stanley A. Aldrich on March 1 will become a partner in Mallory, Adee & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Omer Malfroot Opens

Omer Malfroot has opened offices at 3 Maiden Lane, New York City, to engage in the securities business. He was formerly with J. Arthur Warner & Co., Inc.

Highland Pk. Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Robert L. Smith, Jr. has formed the Highland Park Investment Co. with offices at 781 South Cleveland to engage in the investment business.

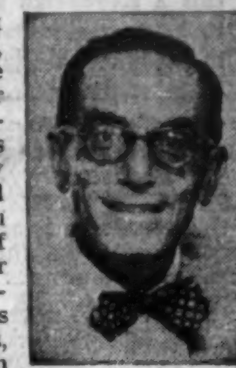
Observations . . .

By A. WILFRED MAY

THE MEETING SEASON GETS UNDERWAY

The Stockholder and His Free-Lance Protagonist

With the annual stockholder meetings of the banks out of the way, public attention will now be focused on the gatherings of the corporations. The goings-on at these conclaves at this season highlight the company-stockholder relationship, his attitude, and what is being done for his protection—real or fancied.



A. Wilfred May

Continuing recent trends, this year's bank meetings have "broken out" with added frills, as the news-photographer and multi-course luncheon. On the business level, an ever more flexible attitude by the presiding officer toward the voluble stockholders' questions and statements is to be noted. Motivated by the public relations factor and the practical need for expediting the proceedings in lieu of filibustering, as much as by the ethics of the situation; the chairman is to an ever greater degree allowing the public stockholder "spokesmen" to talk. Such talk is still largely centered on the top salaries, merger possibilities, addition of a woman director, and agitation for circulation of post-meeting reports.

In addition to the frivolous and colorful items thrust on the agenda from the floor, the bank meetings have seen discussion centered on the more sober and constructive suggestions for payment of dividends quarterly instead of semi-annually; issuance of annual reports in advance of the annual meeting; and avoidance of meeting-day conflicts with other banks.

Year in and year out, the question of top salaries—easiest to dramatize and incite the vengeful anger of the frustrated—importantly occupies the time of the floor "discussants," and quite understandably, elicits the interest and protests of the shareholding owners. Although some instances of compensation abuse may occasionally crop up, concentrating on this subject blows it up far out of proportion to its importance.

Public Stockholders Nos. One and Two

This tendency to concentrate emphasis on the relatively superficial as well as on the matters of fundamental importance in the management-stockholder relationship, is substantiated by the newly issued Annual Report of the brothers Gilbert, pioneers and chief actors in championing stockholders' owner-rights. **(13th Annual Report of Stockholders' Activities at Corporation Meetings—1952.)** In the 131 pages of this booklet, the crusaders detail their year's exploits, leavened by a liberal sprinkling of their corporate philosophy.

The circulation of the Gilbert report has now reached 8,000 copies. The author-protagonists state that the cost of their printing and mailing, amounting to $2,000, is the only source of expense entailed by their activities; that contributions of not more than $3 per individual shareholder were received to the extent of about $1,000, the difference being borne out of their own pocketbooks.

A Meeting Marathon

Not being engaged in business or a profession, they devote themselves to relentless meeting-attendance. In line with their customary achievements, they raced to 130 meetings last year. They list the names of 135 corporations whose "festivities" they will grace during the next three months; two-a-day a-piece when necessary. In these "host" companies they themselves hold anywhere from seven to 100 shares.

"Pre-season" Brother Lewis is engaging in a high-class warm-up for these activities, by lecturing on a circuit extending from Harvard University to the Laurentian Mountains of Canada; while brother John is initiating a women's workshop as a kind of dress rehearsal for good performances at coming meetings.

Proxy Handling

While the Gilberts make no solicitation of proxies, in the instances of corporations in which they are stockholders, they are always willing to be entrusted with the form of proxy sent out by the management. However, the stockholder must substitute the

Continued on page 48

Prosperity by Inflation

Neo-Classical and Keynesian Approach to Business Stabilization

By L. ALBERT HAHN, PH. D.

Economist; Author "Economics of Illusion," Etc.

International monetary authority examines popular forecast that depression is in offing but that it supposedly will be curtailed through government's ability and willingness to use deficit-spending and other inflationary devices. Dr. Hahn terms this a Keynesian planning illusion, contending that if applied to boom maladjustments, government spending will only lead to secondary deflation and ruin of State's credit. Urges immediate steps toward restrictive monetary policy. Contends for over a year we have entered last critical phase of postwar boom's upswing, with 1952 corresponding to 1926-1927.

GENEVA, SWITZERLAND— The United States is again flooded with forecasts on the economic future. The consensus of opinion, at least until recently, seems to run as follows: The year 1953 will be one of continued high level economic activity. A depression of moderate extent and duration is bound to set in during 1954 at the latest. The boom will end mainly for three reasons: Armament spending will decline, industrial investment for enlarged and improved production will have reached its peak, housing construction will be lower. A protracted depression, however, is not to be feared if not for any other reasons than because the government will be able and willing to replace dwindling demand by deficit spending and other devices.

L. Albert Hahn

To a younger generation of economists brought up to think along the lines of Keynesian employment theory, such a forecast and argumentation seem entirely normal and in order. For they consider employment as depending on demand, demand in turn on propensities to consume and to invest pre-destined or at least calculable in advance. And they believe in the ability of the Government to prolong a boom indefinitely by deficit spending.

To the older generation of economists having not forgotten their neo-classical education and having managed to keep their heads clear of the Keynesian neo-mercantilism, this whole approach seems highly perverse. They are shocked in the first place by distinctness of the forecasts and in their presentation as scientific and objective, whereas they are at best only rationalizations of subjective feelings. I have dealt with this illusion lately in an article "Predicting the Unpredictable."[1] Here it suffices to recall that in an economy still free in essential parts, the maldistribution of demand over time — called the business cycle — is dependent on the behavior of innumerable individual consumers and producers. Who believes seriously in the possibility of forecasting, for instance, future consumer spending which, directly and indirectly, influences aggregate demand more than anything else? Especially after the unexpected saving spree of the last two years which invalidated all inflation forecasts it should be clear to everyone that the consumer's "waiting" or "hurrying" with spending can be less accurately forecast than the weather six or 12 months hence. And as to investment-spending, no prediction is possible without definite knowledge of the future in general and future wage and monetary policy in particular. For they determine the all-important cost calculations — and therefore the profit expectations — of the entrepreneurs, as also does, incidentally, the so-called political climate, which can change overnight.

Errors on the future by the majority of the people is a necessary concomitant of and one of the chief reasons for cyclical movements. Therefore forecasting future markets can always only be a highly subjective art, never an objective science. It is not pure chance that all forecasts by the overwhelming majority of economists, analysts and statisticians since the war have turned out to be wrong. A sort of a law of necessity of forecasting errors seems to be at work. It is highly probable that the present studies of "Markets after the Defense Expansion" will prove, for all practical purposes, as valueless as the wartime studies of "Markets after the War" on which so much money and work were spent.

The prevailing approach shocks old-fashioned economists furthermore by the fatalism with which the let-down of the economy after the exhaustion of the momentary stimuli is considered as unavoidable. There is, at least in theory, nothing unavoidable in a slump. For an economy is not a sort of lame horse that slows down from a maximum speed if not continually whipped. It is rather a horse that a reckless driver allows at times to run quicker than its forces allow, with the result that a speed below average is occasionally needed in order to recover the force spent during the above average speed. If the present boom leads a year hence to a depression this would therefore only prove that consumers' and producers' demands had been allowed to grow too strong in the present, that the horse had not been reined in in time. In other words, the banks, with the assistance of the Federal Reserve System, have—through the granting of inflationary credits—created in the present an excess of effective demand which will be lacking at a later date. If this is correct, then the logical attitude toward a future depression is not to forecast and to await it fatalistically, but rather to prevent it by putting brakes on the boom before it enters its excessive phase.

If neo-classical economists do not share the fatalism concerning the inevitability of the slump, they share still less the optimism of the Keynesian planners concerning the ability of governments to prolong a boom indefinitely by artificial devices such as deficit spending. They rather believe that such spending, if begun before the maladjustments of the preceding boom have been liquidated, can only lead to needless exhaustion of valuable ammunition to be used against the so-called secondary deflation, and ultimately to the ruin of the credit of the State.

A Crucial Moment in the Current Prosperity Phase

But is not all this only of theoretical interest? Has the current prosperity phase really reached or even already overreached the point where restrictive measures have to be applied?

I personally think that it is indeed high time to take steps toward a restrictive monetary policy which would transfer parts of the present effective demand to the future. I believe that if we let the boom run, we are just repeating the mistakes of the war, which cost the dollar 50% of its purchasing power, and of the period following the outbreak of the Korean war. The recent increase in the rediscount rate undoubtedly is a step in the right direction. But if the demand for credits should not subside, much more drastic steps would have to be taken. Still no interests are paid on demand deposits and only very low ones on time deposits — and on change is even considered. This proves how far off we are still from what in the pre-easy-money days would have appeared a necessary condition of any fight against inflation.

In order to support our view, we shall first examine the features and the strength of the present inflation as it has developed since the autumn of 1949, the period usually referred to as the "second postwar boom"—the first postwar boom extending from the beginning of 1946 until the end of 1948. We shall also confront the present "second postwar boom" with the "second postwar boom" from 1921 to 1929 after the first war. Comparisons between the two "second postwar periods" appear indeed illuminating. In spite of all difference in detail, history seems to repeat itself in a somewhat frightening way.

Industrial Production Since 1949

As is well known, industrial production as measured by the Federal Reserve Index has risen from about 175 to about 234. Whatever the short-comings of an Index based upon the so-called physical volume may be, one cannot fail to be very impressed by this increase of almost 33%, especially if one considers that the new top surpasses the top of the first postwar boom, at the end of 1948, by roughly 40 points.

This tremendous increase has been achieved with an increase of non - agricultural employment from roughly 50 to only 55 million persons or only roughly 10%; and with hardly any increase in the average weekly work-hours. It must therefore to a large extent be the result of higher productivity through rationalization of the productive process, higher capital investment and maximal and optimal utilization of all resources through their full employment.

An achievement of this sort is as such, of course, highly commendable. There remains, however, the question whether and to what extent this achievement is due to the special conditions of inflation, and also whether the same high production could not have been obtained without it. In other words, whether "we never had it so good" only because of an-unnecessary-inflation.

Loan Inflation

How strongly has inflation progressed since 1949? Examining developments in the field of money and credit our attention is immediately drawn to the appalling increase in loans of commercial banks during the last three and a half years. These loans have increased from roughly $40 billion to well over $60 billion dollars, i. e. by more than 50%. This compares with an increase from, roughly, $25 to $35 billion during the eight years of the 1921-29 boom.

Not all the additional loans granted during boom periods are inflationary i.e. granted through new demand deposits, new "bank money." Some parts of bank loans are granted out of genuine savings and are therefore not at all inflationary, as for instance loans granted by savings banks against mortgages.

It is, theoretically and practically, extremely difficult to decide which part of an increase in loans of commercial banks is "inflationary" and which not. Obviously, loans are not inflationary which only replace assets in the balance sheets of the banks, as happened from 1946 to 1949. At that time the increase in loans was accompanied by a decrease in the holdings of Government securities; with the result that the total of loans and investments remained pretty stable. Since 1949, the holding of Government securities no longer decreased so that the net effect of the loan increase of $20 billion, plus the increase of some other assets, is an increase in "total loans and investments" of commercial banks from roughly $114 to roughly $140 billion, an increase of $26 billion. This corresponds to an increase from about $38 to $50, i.e., $12 billion, during the whole eight-year period from 1921 to 1929.

But how much of this increase of $26 billion in total assets and of $20 billion in loans has been financed by inflation? Some, but unfortunately not quite sufficient, light can be shed on this question by the debit side of the balance sheets of the commercial banks.

Total deposits with commercial banks increased since 1949 from roughly $143 to about $155 billion, demand deposits increasing from $94 to about $111 billion, and time deposits from roughly $35 to $40 billion. As people hardly ever save genuinely in demand deposits from which they receive no interest, the increase in demand deposits may roughly correspond to the increase in circulating bank money. We can therefore conclude that of the $26 billion increase in the total assets of commercial banks, $17 billion, or 65%, have been financed through price inflation.

Bank Money Inflation

Looking at the situation from the money side, we find that since 1949 demand deposits of *all* banks have increased from about $82 billion to about $100 billion, or almost by 25%. This compares with an increase from $18 to $21 billion or only 15% during the eight-year period from 1921 to 1929.

But in order to judge the extent of inflation not only the quantity but also the velocity of turnover of bank money has to taken into account. The annual rate of turnover of demand deposits at member banks in New York increased since 1949 from about 28 to about 36 and in other leading cities from about 18 to about 22, on average therefore somewhat between 20 and 30%. We may therefore conclude that "effective demand" emanating from bank money during a unit of time has increased from 82 to say 125% of $100=$125 billion, i.e. roughly 50%.

Currency Inflation

People pay, of course, not only with "bank money" but also with cash. Currency in circulation increased during our period from about $27 billion to about $30 billion, or roughly 10%. Thus

[1] "The Freeman"—Oct. 6, 1952.

currency has increased much less than bank money.

It is interesting to compare what happened during the period from 1921 to 1929. Although bank money increased from $18 to $21 billion, or 15%, currency in circulation did not increase at all; it even declined slightly. The obvious explanation is that some of the money hoarded during the war was still coming back into circulation, as it incidentally also did during the first post war boom from 1945 to 1949, when demand deposits increased whereas currency in circulation dropped. The return of hoarded currency may explain why now again circulating bank money has increased much faster than circulating currency.

Our contention that the quantity of bank money has increased almost 25% is, incidentally, confirmed by the movements of the counterpart of bank deposits, the reserve balances of member banks with the Federal Reserve Banks. These have increased from roughly $16 to roughly $20 billion, or 25%.

Price Inflation

What now have been the effects on the price level of such a credit and money inflation?

Consumers' prices have risen from about 170% to about 190% of the 1935-39 averages—or about 12%. Wholesale prices rose at first — until spring 1951 — from about 99% to 115% of the 1947-49 averages. They have since declined to 110%; with the net result that wholesale prices, too, have over the whole period increased roughly by 12%. Thus price inflation has been much weaker than money and credit inflation.

This development has again an interesting parallel in the second postwar boom period of 1921-29. In spite of the strong credit inflation, consumers' prices remained practically unchanged during the whole period, whereas wholesale prices after some increase in 1925 and a persistent fall from then on returned to where they started. This "inflation without inflation" was at that time widely discussed and various explanations advanced—the best being that productivity per manhour had increased simultaneously. Whatever the explanation, the development during the twenties shows in any case that price stability is quite commensurable with strong inflation. Price stability alone can therefore never prove the absence of money inflation.

"Money Inflation With and Without Price Inflation"

Money inflation since 1949 which—taking in account the increase in the velocity of turnover—was in the magnitude of roughly 50%, has undoubtedly been partly a "money inflation *with* price inflation," the price level having risen by roughly 12%. But it has obviously been, too—repeating the phenomenon of the twenties—partly a "money inflation *without* price inflation." As far as this is the case the higher monetary demand must have spent itself not on higher prices but on the larger product which indeed came to the markets as a result of the tremendous increase in production mentioned above.

This leads to the very important question: Is a money inflation going along with price stability an Inflation at all? Does it create all the dangers of a money inflation *with* price inflation, especially that of a later deflationary slump? In other words, is inflated money "neutral money" as long as it has no effect on the price level? This is maintained nowadays by even conservative economists. I think the experiences of the twenties have given a clear answer. In spite of

Continued on page 39

From Washington Ahead of the News

By CARLISLE BARGERON

One of the surest signs that we are returning to "normalcy" is the storm that is breaking around the head of Secretary of Agriculture Benson. This is where I came in, way back in the 'twenties. The State Department is still on the front pages, though it is apparently a struggle to stay there, with interest rapidly waning in sheltered Communists, and, on the labor front, things seem reasonably quiet. The shrill voice of the CIO is losing its effectiveness; the milder mouthings of the good old A. F. of L. are returning to dominance. The editors will soon learn that there is not much reader interest in EDC or ECA or anything else connected with Europe. However, Korea will enjoy an in-and-out public attention, as hopes of a solution rise and fall, for sometime to come.

Carlisle Bargeron

It seems significant to me that the predominant "problem" now and for as far as the eye can see, is the "farm problem." It is good and relatively inexpensive to have something like that again on the front pages. It will give concern to the younger generation and tend to take their minds off globalism and global leadership; it should come to preoccupy them to the exclusion of the devilish thinking they have been experiencing these recent years. For us old timers it should afford a lot of nostalgic mirth.

Around Washington there are angry bleats and bellows emanating from embattled friends of the farmers and there are mutterings that Secretary Benson must go, and gossip-column hints that he is to go. I just love it; it brings me back home after the figurative trek over the whole world, into the alleys of backward civilizations and through the saturnalia of foreign spending which I seem to have been making these many years. Here is something right at home; begone the shenanigans of Premier Nehru and the machinations of Stalin. It makes for the health of our body politic to have a "farm problem."

For years we have been complaining about the high cost of living. It was one of the most effective indictments against the Truman Administration, a very prominent factor in the Administration's overthrow. Now, prices of foodstuffs are coming down; once again a good steak is within reach of the average housewife. Is there rejoicing in the land; is it a feather in the cap of the Eisenhower Administration? No, indeed, not if we are to harken to the noise in Washington. Instead of its being a feather in the new Administration's cap, it is its first real pain in the neck.

Secretary Benson should go back through the newspaper files of the Coolidge Administration, get comfort from them himself and then bundle them up nicely and take them over to the White House for the General's perusal. There was a "raging" prairie fire all through the Harding, Coolidge, and on into the Hoover Administration. But it never proved a source of political discomfort until everything went to pieces with the depression. It wasn't just a farm problem then; everything was a problem.

In those days as now the same statistics were being rolled out. The farmer was getting so much for his output and the consumer paid twice the price. Once again we are hearing talk about the middleman and the need for abolishing him. The farmer is not getting for his wares that which he has to pay for what he buys. The government gives subsidies to industry through the tariff and more recently tax write-offs for new plants; the aviation industry gets subsidies and so on and on. Why shouldn't the farmer get subsidies?

In the downpour Secretary Benson stands without an umbrella, and apparently without a good sense of publicity. Members of Congress, any number of them, say he is absolutely right in the stand he is taking. But the Democrats, brilliant in opposition, are making the welkins ring and even those Republicans and even some Democrats who say privately he is right, are afraid to stick their necks out for fear of what may happen. Several cattle growers' associations have come to his rescue but their support is drowned out by the noise.

The Secretary should know and he should tell his chief that Coolidge never let a similar hullabaloo cause him to lose a single one of his afternoon naps. Coolidge knew it was all froth with no substance and I am satisfied it is the same now.

Old timers will remember the furore stirred up by the McNary-Haugen bill sponsored by the late Senator McNary of Oregon, and Congressman Haugen of the 10th Iowa District. When Coolidge calmly vetoed it after it had taken several months for passage, the predictions were free and wild that this was the end of the Republicans.

In 1928, when Hoover was the successful candidate for the Republican nomination against former Governor Lowden of Illinois, for months before the convention in Kansas City we heard of an impending march upon the convention of angry farmers. This was certain to insure Hoover's defeat. When the convention came and the Washington newspapermen were there, we kept asking when the farmers were to arrive. One day we heard a band and looking out on the streets was the parade of angry farmers, at least a hundred, and attired in brand new overalls. The farmers, it seemed, were getting ready to go to Florida in their Cadillacs for the winter.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Air Conditioning Industry — Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a brief review of **Oil Industry Prospects** and an analysis of **Canadian Superior Oil of California, Ltd.**

Aristocrats of the Stock Market—List of 20 specially selected issues—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Automobile Parts and Accessories—Analysis in current issue of "Market Pointers"—Francis I. du Pont & Co., 7 Wall Street New York 5, N. Y. Available in the current issue of "Gleanings" is a brief analysis of **Grayson Robinson Stores, United States Steel Corp.**, and a list of **High Yield Preferred Stocks.**

Banks—Comparative figures—A. M. Kidder & Co., 1 Wall St., New York 5, N. Y.

Bank Stocks—Analysis of investment qualities—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Bank Stocks—Comparison and analysis of 14 leading bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, New York.

Bank Stock Analyzer—Comparative tabulation—Geyer & Co., Incorporation, 63 Wall Street, New York 5, N. Y.

Bond Yields—Discussion of the restoration of yields—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Breakdown of Government Bond Portfolios and Sources of Gross Income for 17 New York City Banks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Dividends for More Than a Decade—Common stocks traded on the American Stock Exchange, by industrial classification—American Stock Exchange, 86 Trinity Place, New York 6, New York.

Japan—Tabulation of figures for various industries in Japan—Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Recommendations for 1953—Special offer for four weekly editions of "Ratings & Reports," and analysis of an undervalued risk-type situation, summary of recommendations on 561 leading common stocks, monthly report on supervised model fund, commentary of price trends, and four issues of weekly supplement reporting on new developments affecting supervised stocks and special situations between the regular "Ratings & Reports"—$5—Arnold Bernhard & Co., Inc., 5 East 44th St., New York 17, N. Y.

Steel Industry—Analysis of economic and financial aspects (prepared under sponsorship of Crucible Steel Company of America)—George S. Armstrong & Co., Inc., 52 Wall Street, New York 5, N. Y.

* * *

Baltimore Transit Company—Analysis—**J. V. Manganaro Co.,** 50 Broad Street, New York 4, N. Y.

Brunner Manufacturing Co.—Analysis—De Pasquale Co., 57 William Street, New York 5, N. Y.

Celanese Corp. of America—Memorandum—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Pullman, Inc.**

Central Maine Power Co.—Analysis—**Ira Haupt & Co., 111** Broadway, New York 6, N. Y.

Central & South West—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Distillers Corp.-Seagrams—Memorandum—Herzfeld & Co., 30 Broad Street, New York 4, N. Y.

Fiduciary Management, Inc.—Report—**Eisele & King, Libaire, Stout & Co.**, 50 Broadway, New York 4, N. Y.

Hooker Electrochemical Company—1952 annual report—Hooker Electrochemical Company, Niagara Falls, N. Y.

Housing Authority of County of Franklin, Pa. — Analysis — McDougal & Condon, Inc., 208 South La Salle Street Chicago 4, Ill.

Lakeside Laboratories, Inc.—Report—**Loewi & Co., 225 East** Mason Street, Milwaukee 2, Wis. Also available is a special report on **Pabst Brewing Company.**

Marathon Corporation—Bulletin—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available are bulletins on **Standard Brands** and **Chicago & North Western**, and a memorandum on **H. J. Heinz Co.**

Molybdenum Corporation of America—Bulletin—Spencer Trask & Co., 25 Broad Street, New York 4, N. Y.

Ontario Steel Products Co., Ltd.—Review—**James Richardson** & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Packard-Bell Company—Revised report—**J. R. Williston, Bruce** & Co., 530 West Sixth Street, Los Angeles 14, Calif.

Puget Sound Power & Light—Memorandum—**Kidder, Peabody** & Co., 17 Wall Street, New York 5, N. Y.

Riverside Cement Co. — **Analysis and review of the Cement** Industry—Lerner & Co., 10 **Post Office Square, Boston 9,** Mass.

Savannah Sugar Refining Corporation — Analysis — Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Bldg., Savannah, Ga.

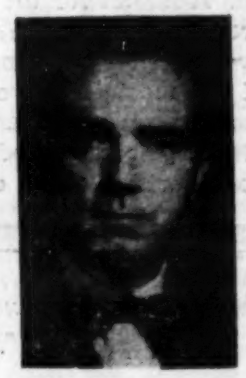
Stewart-Warner Corporation — Analysis — **Rothschild & Company**, 135 South La Salle Street, Chicago 3, Ill.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION, INC.

The officers and members of the executive council of the National Security Traders Association met in Chicago on Jan. 25 to formulate plans for this year and select chairmen for the standing committees. The following appointments were made:

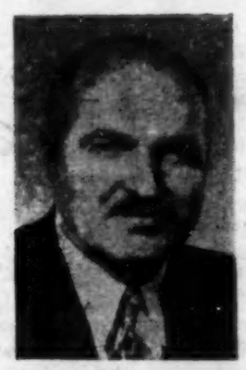
Harold B. Smith



Wm. J. Burke, Jr.

Henry Oetjen

John F. McLaughlin



Donald C. Sloan

Advertising—Harold B. Smith, Pershing & Co., N. Y.
Corporate and Legislative—Wm. J. Burke, Jr., May & Gannon, Boston.
Public Relations—Henry Oetjen, McGinnis & Co., N. Y.
Publicity—John F. McLaughlin, McLaughlin, Reuss & Co., New York.
Membership—Donald C. Sloan, Donald C. Sloan & Co., Portland, Ore.
Municipal—Edward V. Vallely, John Nuveen & Co., Chicago

An energetic program has already been started to bring the name of the Association as often as possible to the public, the industry, and the corporations in whose securities members trade.

The Association will also work to prevent the passage of any legislation that, is not in the best interest of the industry, or that would be burdensome or costly.

Every effort will be made to expand membership, both individual and through newly-formed affiliates.

The Association will collaborate with the A. S. E. F., the I. B. A. and the N. A. S. D. in a unified effort to arrive at an equitable solution in the exercise of rights that will be less costly and possibly give proper remuneration to all dealers and brokers in this phase of the business. A special committee has been appointed in this endeavor, headed by Phillip J. Clark of Amos Sudler & Co., Denver, and John M. Hudson of Thayer Baker & Co., Philadelphia.

The 20th Annual Convention will be held at Sun Valley, Idaho, the week of Sept. 14. An unusually large attendance is anticipated as some extraordinary plans are underway to make this the greatest ever. A special convention committee has been appointed for this event under the Chairmanship of Edward H. Welch, Sincere & Co., Chicago. Cooperating with him also are a reception committee headed by William Perry Brown, Newman Brown & Co., New Orleans, and a special committee for ladies

Continued on page 49

COMING EVENTS

In Investment Field

Feb. 20, 1953 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at the Benjamin Franklin Hotel.

Feb. 25, 1953 (Boston, Mass.)
Boston Investment Club dinner meeting at the Boston Yacht Club.

March 6, 1953 (Toronto, Canada)
Toronto Bond Traders Association Twentieth Annual Dinner at the King Edward Hotel.

April 12-15, 1953 (Phila., Pa.)
National Federation of Financial Analysts Societies sixth annual convention at the Bellevue-Stratford Hotel.

April 30-May 1, 1953 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual outing.

May 7-8, 1953 (San Antonio, Tex.)
Texas Group Investment Bankers Association of American Spring Meeting at the Plaza Hotel.

May 8, 1953 (New York City)
Security Traders Association of New York dinner at the Waldorf-Astoria.

May 11-13, 1953 (St. Louis, Mo.)
Association of Stock Exchange Firms Board of Governors Meeting.

May 13-16, 1953 (White Sulphur Springs, W. Va.)
Investment Bankers Association of America Spring meeting at the Greenbrier Hotel.

June 25-26, 1953 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati annual party at the Kenwood Country Club.

Sept. 14, 1953 (Sun Valley, Idaho)
National Security Traders Association 20th Annual Convention.

Oct. 14-16 (Louisville, Ky.)
Association of Stock Exchange Firms Board of Governors Meeting.

Nov. 29-Dec. 4, 1953 (Hollywood, Fla.)
Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.

With Williston, Bruce

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Raymond H. Scollin has become affiliated with J. R. Williston, Bruce & Co., Russ Building.

It Pays to Speculate— Off the Beaten Track!

By STEPHEN J. SANFORD*
Specialist in Unlisted Securities

Citing case history of a fund set up for a son's education, Mr. Sanford reviews, 15 months after its beginning, market action of the stocks selected in the period. By closing out a portion of fund's holdings, an "accepted profit" of 38% is recorded, which compares with an appreciation of about 10% in the Dow-Jones Industrial Average for the period.

Fifteen months ago a father, getting along in years, decided to set up an educational fund for his two-and-one-half year old son.

Attempting to predict very accurately educational costs a decade hence is a hazardous problem in itself. A certain amount of inflation appears to have been frozen more or less permanently into our economy. Today's costs may be considerably higher in the 1960's.

However, a figure of $20,000 was set as a target to cover the cost of four years each of preparatory school and college education, with any excess for potential use for graduate school work if circumstances at the time would appear to warrant it.

Now if the father had had $10,000 the problem would have been relatively simple. There are plenty of security analysts who believe that such standard issues as Dow Chemical, General Electric, Owens-Corning-Fibreglas, Union Carbide, Sylvania Electric, etc., should certainly double within the next 12 years.

But there was available only $6,800 with which to start the fund. Thus, the problem became not one of doubling the money involved, but trebling it.

To secure capital gains of 200% within 12 years, admittedly, will take a modicum of luck as well as the ability to ferret out an assortment of growth, venture capital situations among which there may very well be casualties, but among which there must also be some rewards handsome enough to compensate for the above-average risks involved.

Perhaps the easiest solution would have been the purchase of shares of American Research and Development Corp., a company formed and financed to back new, risky ventures of apparent merit. The market action of the stock over recent years, however, raised serious doubts that the ultimate aim of the fund could be accomplished by so doing.

Instead, it was decided, with full consent of the parents, to spread the funds over a variety of speculative issues whose prospects, at the time purchases were made, appeared favorable.

The parents agreed to be responsible for any income tax liability resulting from either capital gains or dividends. Thus the latter, although rather meagre from securities of this nature, have been for the most part promptly reinvested.

Following is a table showing present holdings (the odd number of shares of some companies are the result of stock dividends), as well as the six holdings that have already been closed out:

No. Shares	Company	Actual Cost	Recent Value
90	American Phenolic Corp.	$1,556	$1,665
100	Atomic Instrument	396	425
40	Eastern Air Lines	1,056	1,080
120	Federal Mfg. & Engin.	408	465
20	Glass Fibers Inc.	318	200
25	Haile Mines	161	140
35	Marquardt Aircraft	618	645
20	Michigan Chemical	315	275
22	Northrop Aircraft	326	350
90	Plastic Wire & Cable	500	1,235
25	Pubco Development (warrants)	146	160
22	Purolator Products	420	360
20	Reaction Motors	325	320
22	Southwest Gas Producing	398	485
21	Taylor Oil & Gas	360	565
40	Tracerlab, Inc.	516	520
40	Ultrasonic Corp.	390	500
25	Walt Disney Productions	221	225
	Totals	$8,521	$9,615

Profit accepted 25 Canadian Admiral Ltd.	$195
Profit accepted 25 Collins Radio	198
Profit accepted 25 Hoffman Radio	139
Profit accepted 20 National Homes	259
Profit accepted 20 Polaroid	232
Profit accepted 25 Telecomputing Corp.	526
Total profits	$1,549

Recapitulation

Original fund	$6,800
Profits accepted	1,549
Dividends received	174
Total	$8,523

Disregarding the dividends received, the fund has an apparent appreciation of 38% for the first 15 months of its existence. Obviously, this is too rapid a pace to be maintained over a very long period. It compares with an appreciation of about 10% in the Dow-Jones Industrial averages during the same period.

On the chance that readers might be interested in the reasons which prompted the selection of the securities chosen for the portfolio which are still retained, a brief comment on each company is appended. If I were making up a portfolio of stocks for a similar purpose today I would still select these same issues.

American Phenolic: This supplier to the electrical, electronic and aircraft industries has experienced dynamic growth since 1946. sales increasing from under $6 million annually to about $35 million. The company makes electrical connectors, high frequency coaxial cables, radio and industrial electron tube sockets, microphone connectors, antennas and antenna rotators. Despite a tax load of absolute maximum, the $1 dividend is currently being earned over three times over. Obviously, earnings will spurt sharply upon the demise of excess profits taxes. The stock appears a worthy representative in the expanding electronics' field.

Atomic Instrument: This young company, still something of a fledgling, appears a good venture capital speculation. Its products are highly scientific and complicated instruments such as scintillation counters, pulse generators, coincidence and anti-coincidence analyzers and linear amplifiers, nuclear research instruments, clinical instruments for the medical profession, glow transfer counters capable of counting several thousand pulses per second, and an analog voltage scaler and rapid numerical printer. The limits and various applications inherent in this new and vast field are not yet clearly defined. Sales have increased steadily each year from 1947, when they were only $69,000, to 1952 when they reached a new high of $780,000. There are only 117,100 shares of common stock currently outstanding.

Eastern Air Lines: The vicissitudes of the air lines in recent years have been many, but under the guiding genius of Capt. Eddie Rickenbacker, Eastern has consistently reported a profit despite what appears to be ultra-conservative bookkeeping. It is believed that the company's $100 million new equipment program can be financed through retained earnings and bank loans without resorting to any dilution of the common equity. Daily receipts passed the $500,000 mark for the first time in January of this year, and all indications are that 1953 will see new records set for both revenues and earnings. Market action of the stock should be commensurate with this showing.

Federal Manufacturing & Engineering: After a rather indifferent showing for several years as a maker of cameras and photographic equipment, Federal more recently branched out into the field of electronics and is now making test signal generators in addition to its regular products. Sales have expanded rapidly, and backlog, at last report, was about $14 million. Earnings for the year ending May 31, 1953, are estimated at $1.30 per share. Management is reported to own over 50% of the 234,000 common shares outstanding.

Glass Fibers, Inc.: This company manufactures continuous glass fiber yarns, glass fiber bonded mat and glass wool under its own patented method. While this is a comparatively new industry, it has already become highly competitive. Results to date have been somewhat spotty, but 1953 should give a clearer indication of the future prospects of the company, since capacity is now about three times as great as in 1951. Capitalization is somewhat on the heavy side, with no less than 925,400 common shares outstanding.

Haile Mines: This holding company owns 70% of Tungsten Mining Corp., with General Electric owning the remaining 30%. This subsidiary has a five-year contract with the U. S. Government providing a guaranteed floor price for standard high-grade tungsten concentrates of $65 per unit. In addition, Haile owns 80% of Manganese, Inc., a Nevada concern holding firm 10-year contracts with the Government to deliver from the property approximately 27,500 long ton units of manganese in the form of nodules carrying 45% manganese, and also to upgrade approximately 275,000 tons of Government stockpile ore. Earnings this year are expected to rise sharply, and inauguration of dividends should not be many months away.

Marquardt Aircraft: This company is a pioneer in the field of ram-jet engines. This method of propulsion is believed to be, at this time, the most practical means of propulsion for long-range guided missiles traveling at super-sonic speeds. Security regulations prevent discussion of details concerning current developments. Laurance Rockefeller controls this specialized company which has less than 100,000 shares of common stock outstanding. Backlog was recently announced as in excess of $8 million.

Michigan Chemical: This small chemical company, utilizing the products of deep brine wells, manufactures such chemicals as salt, bromine, magnesia, and calcium-magnesium chloride. In addition, it is one of the largest manufacturers of DDT. Sales have increased 60% in the last four years. Company's financial position is expectionally strong. No dividends have been paid to date, but expansion appears now to have been largely completed. Long-range prospects appear favorable.

Northrop Aircraft: Originally, this company was known principally as a manufacturer of fighter planes, and output of the Scorpion F-89 twin-jet all-weather Air Force fighter still accounts for the bulk of sales. But in July, 1952, Radioplane Co., the leading maker of radio-controlled target planes for the armed services, was purchased. The company is also an important factor in the guided missile field, but detailed information on this subject is of a restricted nature. Dollar backlog per share is still among the largest in the industry, and earnings in excess of $5 per share are indicated for the current year.

Plastic Wire & Cable: This small Connecticut company had a very modest beginning only 10 years ago. It manufactures plastic-covered building wires and cables; radio, instrument, hook-up and apparatus wires; lamp cords, flexible electric cords, cord sets and wires and cables for spe-

Continued on page 33

*The author is Manager of the Investors' Research Department of a New York investment house. He is a specialist in unlisted securities.—EDITOR.

Strength and Weakness in Business Conditions

By MARTIN R. GAINSBRUGH*

Chief Economist, National Industrial Conference Board

Dr. Gainsbrugh lists an equal number of elements of strength and of weakness in current business situation, and warns corrections may be ahead, "since the business cycle is still very much alive and the elements of weakness have only recently emerged." Concludes, however, opportunity to mitigate the business cycle by private action is greater than ever before.

The initial weeks of 1953 have thus far reinforced the optimistic business attitude toward the year that began after the steel strike and blossomed with the election results. Thus far in the new year — and it is admittedly very early— business activity has run at extremely high levels, and has even been advancing, although slowly. If total national output of goods and services were to maintain its current rate throughout the year, the annual gain over 1952 would be very respectable—in the neighborhood of 5%. The year-to-year advance in industrial output (Federal Reserve index) would be more than 7%.

M. R. Gainsbrugh

These year-to-year comparisons illustrate the high level to which output surged in the closing months of 1952. Restricting the comparison, however, to only the past few months—say from November, 1952 — the outstanding characteristic of business currently is stability, rather than any significant advance. Since November, there has been only a slight uptrend in production activity, largely concentrated in a limited number of areas: steel, machinery, automotive and a few other industries. The uptrend may be broadening a little now, as a result of the usual spring advance in consumer industries. But the impressive fact about business today is that neither the measures of total activity nor measures of any important individual sector exhibit any tendency to move sharply, either up or down.

The body of economic and business opinion believes this high-level stability will prevail at least until midyear, with a resolute minority still contending it should hold through 1953. Let me list for your own personal appraisal the positive and negative factors—or the elements of strength and weakness—that appear most frequently in appraisals of the business outlook currently:

Elements of Strength

(1) Expansion in late 1952 arose in the private and not the public sector. Defense spending was not significantly larger at the year-end than in the second quarter.

(2) We enter 1953 after completion of a series of readjustments in many major industries: textiles, carpets, leather, paper, among others. These industries are now again in their expanding phase.

(3) The inventory overhang has been largely cleared up, particularly at retail.

(4) The backlog of orders both for defense and civilian hard goods remains high.

(5) Capital expenditures programs of private industry are expected to be as high as in 1952. Construction expenditures, according to official estimates, should set a new peak in 1953.

(6) The forthcoming Federal Reserve Survey of Consumer Expectations should show a higher intent to purchase consumer durables (cars, furniture, etc.) than a year ago.

(7) Production and consumption have again turned up in Europe, after sharp declines throughout most of the first three quarters.

Elements of Weakness

(1) Continuing expansion in both long- and short-term debt of consumers; even if the total is not alarmingly high relative to consumer income and assets, is it likely that further expansion in consumer debt can be anticipated at the peak rates of recent past years?

(2) Decline in farm prices and income; the parity price ratio currently (95), is the lowest in more than a decade. Cotton, wheat, and corn among other major commodities, are selling at or below support prices.

(3) Recent renewed softness in the index of spot-commodity prices.

(4) Further declines in prospect in housing starts because of slump in new family formation. This reflects the low birthrates of the '30s.

(5) Further loss of exports: Competition grows steadily more vigorous in world markets. Many countries have now caught up with their own war-generated backlogs.

(6) Continuing weakness in profit margins and the prevailing low level of retained corporate earnings may undermine capital expenditure programs.

(7) Possibility of conjuncture: Defense spending may begin to decline at the very time private capital formation begins to taper off, and consumer backlogs are thoroughly saturated.

Corrections Ahead

As a half-time optimist, I do want to emphasize that the business cycle—in other words, the characteristic ups and downs of a modern, industrialized society—is still very much alive. We undoubtedly know more about the economic factors which cause the business cycle than ever before. But there remains serious question as to whether we know enough to control the business cycle and, even more in point, whether we have the will to use what we know at the right time.

The elements of weakness to which I referred earlier have only recently emerged. The elements of strength have been operative not for months, but almost since the war's end; and many of the temporary stimulants such as consumer and business backlogs have virtually disappeared. It may well be that the transition to normal replacement markets after a decade of expansion can be relatively painless. But if so, the easy transition would depart violently from the pattern of history. Postwar deflations have without exception been accompanied by drastic economic corrections rather than a mild, slow, easy transition into a strong and self-sustaining economy. In my opinion, the longer range threat of a major economic adjustment rightly restrains the short-run optimism of government and business alike even though industrial activity in the opening weeks of 1953 is higher than at any previous time, excepting only the peak levels produced under the forced draft of World War II.

In closing, let me offer five specific points which warrant consideration relative to the major postwar correction which so many believe still lies in store for us:

(1) We enter 1953 at a high and rising level of economic activity. Such "foreshadowing" statistics as we now possess show no immediate decline in prospect.

(2) The momentum generated in the first half of 1953 may serve to carry us through all of 1953 at high-level operations, particularly when viewed against the sustaining forces of continuing peak expenditures by government.

(3) What happens in late 1953 and beyond depends far more upon how we behave in the months immediately ahead than upon inherent weaknesses which have been read by some into our current cyclical position.

(4) Private business has increasingly recognized that it must move promptly in the incipient stage of a downturn to avoid massive government intervention at the later, spiraling stage of recession or depression. Such action includes programming of capital expenditures over the business cycle. It means price experimentation. It means the timely development and release of new products. It means insistence by business under a sympathetic Administration upon proper monetary and tax policy designed to stimulate private activity in the early stages of a downturn.

(5) We have in recent years through the development of national economic accounting and related measures developed tools which enable us to determine even incipient business fluctuations. As a result, the opportunity to dampen down or mitigate the business cycle through private action is greater than ever before in our nation's history.

*An address by Dr. Gainsbrugh before the 34th Mid-Winter Trust Conference of the American Bankers Association, New York City, Feb. 10, 1953.

Missouri Brevities

L. G. Backstrom, President of the **Cook Paint and Varnish Co., Kansas City, Mo.,** revealed that increased operating expenses and a lower volume of business cut into net earnings in the fiscal year ended Nov. 30.

Net profits were $1,084,038, equal after preferred dividends, to $4.33 a common share, compared with $1,642,059, or $6.87 a share, a year earlier.

Net sales were $32,895,806, a decrease of 4.1% from the previous year. A large part of the decrease was attributed to the steel strike in the summer of 1952.

* * *

Western Insurance Securities Company reported net income for 1952, including undistributed income of its operating subsidiaries, and including gain in equity of unearned premiums of $1,299,787, compared with $744,875 in the previous year. After providing for dividends of $42,000 on the preferred stock the earnings applicable to the 35,000 shares of class A stock amounted to $35.93, compared with $20.08 a share, in 1951.

Additional unrealized gains from increases in market value of securities and other non-recurring income amounted to $67,276 last year.

* * *

Gulf Sulphur Corporation, North Kansas City, has encountered a large sulphur formation in a new well drilled on the Isthmus of Tehuantepec on the state of Veracruz, Mexico. Drilled so far to a depth of nearly 1,000 feet, the well uncovered 130 feet of sulphur-bearing formation. Drilling is proceeding. The well is the seventh commercially productive one drilled by the company on its concessions in the area.

* * *

Western Auto Supply Co. (Missouri) reports for January, 1953, sales of $10,981,000 compared with $9,338,000 in January of last year, an increase of 17.6%. The company during January, 1953, operated 276 retail units compared with 269 a year earlier and serviced 2,749 wholesale accounts compared with 2,625 in January, 1952.

* * *

Panhandle Eastern Pipe Line Co., reported new high records in gross revenues and profits in its annual report for 1952.

Net income was $17,368,273, equal after preferred dividends to $5 a share on the common stock, compared with net income of $10,343,018, or $2.91 a share, in 1951.

Gross revenues were $91,823,546, compared with $52,298,971, a gain of 75%. Sales of gas were about 321 billion cubic feet, or 28% larger than in 1951. The financial results for the year reflected additional revenues from increased rates for gas sold to utility customers for resale. The higher rates were the result of a ruling by the FPC, but in event the increase ultimately is found to be unjustified the company will be required to refund the excess collected.

* * *

A preliminary report of **Kansas City Southern Railway Co.,** showed net income for 1952 was $5,974,526, equal after preferred dividends to $10.07 a share, compared with $5,216,137, or $8.58 a share, in 1951.

* * *

Crown Drug Co. reported a net loss for the eight months of the fiscal year ended Sept. 30, 1952, of $62,897. Sales were $8,630,135.

* * *

Kansas City Fire and Marine Co. reported further substantial increases in 1952 in total premiums written and retained, earnings, unearned premium reserve and total assets, according to Morton T. Jones, President.

Net earnings amounted to $236,486, equal to $2.36 a share on the capital stock, compared with $160,890, or $1.61 a share, in 1951.

Net underwriting income earned before taxes came to $6,774, compared with an underwriting loss of $44,756. Investment earnings, including $119,575 from the sale of securities, totaled $273,807, against $228,776, which also included $66,503 from security profits in 1951.

* * *

The Kansas City Power & Light Co. reports that in 1952 net income amounted to $5,978,438, equal after preferred dividends to $2.19 a share on the common stock. This compared with net income of $4,299,148, or $1.89 a share, a year earlier. There currently are outstanding 2,224,540 shares of common, compared with 1,906,748 shares a year previous.

Revenues were $41,387,711, against $35,665,256. Operating expenses were $33,620,110, against $29,797,230. Income taxes jumped from $3,823,989 to $6,058,889.

* * *

Central Surety & Insurance Corp. reports for 1952 net income before taxes on income of $325,148, compared with $211,311 a year previous. After taxes, the earnings amounted to $272,290, equal to $2.72 a share on the capital stock, compared with $235,738, or $2.36 a share, in 1951.

Capital and surplus, after payment of $200,000 in dividends, amounted to $5,790,742, a gain of $165,548 for the year. In 1951 the gain was $6,551.

Total reserves were $14,049,391, up $348,878 for the year. Claim reserves were off $119,866 to $6,844,874; premium reserves were up $440,186 to $6,544,765.

* * *

Missouri Utilities Company reports net earnings for 1952 of $512,948, equal after preferred dividends, to $1.56 a share on the outstanding 274,200 shares of common. This compared with net earnings of $499,017, or $1.62 a share, on the 255,920 shares of common outstanding at the close of 1951.

Revenues were $4,809,469, compared with $4,521,863. Operating expenses totaled $2,586,873, against $2,324,969. Income taxes were $479,580, against $483,429.

* * *

Missouri Public Service Co.'s net income for the 11 months ended Nov. 30, totaled $1,089,644, equal after preferred dividends, to $1.92 a common share, compared with $850,160, or $1.46 a share, a year previous. Revenues were $7,511,729, against $6,816,831. Operating expenses of $3,623,271 compared with $3,456,558. The income tax bill was $949,000, against $662,500 in the like 1951 period.

Joins Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Dorothy J. Webster has become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street. Miss Webster was previously with Shearson, Hammill & Co.

The Selection of Growth Stocks

By ROBERT W. JOHNSON*
School of Business Administration, University of Buffalo

Stating as the objective in purchase of growth stocks the obtainment of a greater increase in market price than the average over period of at least two business cycles, Dr. Johnson discusses various approaches in selecting shares in this category. Warns, because of present excessive popularity of growth stocks, investor should weigh with extreme care price asked against potential appreciation, since he may be forced to wait 15 years or more, before he receives a return greater than can be had from buying stocks involving less risk.

The purpose of this paper is to examine the methods an investor may follow in the selection of growth stocks. Many problems in the appraisal of growth stocks are developed, and it is hoped a few worthwhile suggestions are advanced on how to meet these problems.

Robert W. Johnson

Interest in Growth Stocks

The current interest in growth stocks is a relatively recent development in the investment policy of individuals. Prior to 1929, Edgar L. Smith in his book, "Common Stocks as Long-Term Investments," had popularized the "common stock theory of investment," which rested primarily upon expectations of a continued upward trend in the market "in accordance with the operation of compound interest."[1] Thus the investor could be assured of both satisfactory current income and capital gains simply by carefully selecting a portfolio of stocks from a diversified group of industries.

The shock of the 1929 crash jolted the investing public into a desire for greater selectivity in their investment portfolios. Many decided that average performance was very mediocre indeed and sought out common stocks which would do better than average. As they looked back, investors became aware that stocks in certain industries or of individual companies had weathered the storm better than others. These stocks frequently received attention as "growth stocks."

Definition

A growth stock must be defined more sharply, however. Study has shown that for many years there has been an upward trend in common stock prices. For example, the investigation by the Cowles Commission showed that over the 67-year period from 1871 to 1937, the average annual rate of increase for industrial common stocks was 3.0%, while "the average annual rate of increase for the railroad and utility stocks was 0.0 and 0.6 of 1%, respectively."[2] It should be observed that this growth occurred over many business cycles. Therefore, it seems reasonable to define a growth industrial stock as one that has increased in price over a period of at least two business cycles at an annual rate greater than 3.0%. The period of at least two business cycles should be emphasized. I strongly suspect that many of the popular growth stocks of today can lay claim to this fame solely on the basis of the general upward swing of stock prices since 1942. Furthermore, many of these same companies can attribute a high proportion of their increased earnings to the general rise in the price level rather than any great increase in physical volume of production. The "growth stocks" of today may bring heavy losses on tomorrow's market decline.

Profits in Growth Stocks

The magic in growth stocks lies in the record of the fortunes which they have made for shrewd or lucky investors. For example, in 1924 Dow Chemical Company shares were selling on the Cleveland Stock Exchange at about $47 per share. Since that time a series of splits has increased the outstanding stock by 90 times. With the current value of each of the shares around $41, an original investment of $4,700 in 1924 has grown to $369,000 today, not including dividends received. Reinvested dividends would have provided an additional gain of well over $100 000. An investment of $7,700 in 100 shares of Coca-Cola in 1924 would be worth about $92,000 today, again not including dividends received.[3]

During the week of March 6, 1915, the common stock of Commercial Credit Company sold for $155 per share. Since then numerous splits and stock dividends have occurred, so that the purchaser of 100 shares in 1915 for $15,500 would now hold over 8,730 shares with a total market value in excess of $320,000. In addition, the investor would have received a large income from dividends. Many more similar examples could be cited.

The Problem of Selection

However, looking at the past only whets one's appetite for the future. How can one select growth stocks today that will turn out to be equally splendid investments? Unfortunately, review of the past is vastly easier than forecast of the future. Two basic approaches seem to be available to the investor who seeks growth stocks: (1) The selection of growth industries and, then, likely-looking companies within these industries; or (2) the selection of growth companies, without particular regard to their industry classification, whose management displays the ability to recognize and develop growth opportunities. Let me illustrate these alternatives. One may decide that electronics represents a growth industry, and, as a next step, select Sylvania Electric Company as an attractive commitment within the industry. Conversely, one may purchase General Motors stock, relying on the intelligence of its management and research staff to develop and exploit new products.

Growth Industry Approach

As an initial step the selection of growth industries appears to be somewhat easier than selection of individual companies. Nevertheless, there are still many problems. First, it is more difficult than one might suspect to recognize an industry today that will become a leader 20 or 30 years from now—that is, an industry that will continue to grow more than the average over at least the next two business cycles. For example, take the automobile industry, which has had an outstanding growth record. Was it, in its infancy, recognized as the beginnings of the industrial giant of today? I hardly think so. In 1912, the proposal for a 50,000-mile national system of highways was attacked as an expenditure of public funds solely "for the benefit of a few wealthy pleasure seekers."[4] The sales finance companies, which grew along with the automobile industry, were similarly derided. To finance the sale of automobiles was to give the improvident a frivolous luxury. In 1926, the Governor of the Federal Reserve Bank of Philadelphia wrote:

"The very fact that they (consumers) bought that way is *prima facie* evidence that they either possessed very limited financial intelligence, or very limited responsibility—in many cases both. . . . With such optimistic and chance-taking people as our own it is fraught with danger."[5]

Yet these same sales finance companies weathered the depression with remarkable success and have established a record of growth few industries can match. Either we, as investors, have become vastly more shrewd than our predecessors of 1912 and 1926, or it is as difficult today to select growth industries as it was then. Until it can be proved otherwise, I would prefer the more humble assumption.

As an example of the difficulties and type of analysis needed in selecting a growth industry today, let us turn to the prospects for the utilization of atomic energy for power. Surely here is a growth industry, for are we not living on the threshold of the atomic age? Yet doubts are raised when one reads the study prepared by the Cowles Commission on the "Economic Aspects of Atomic Power." Briefly, the conclusions are that while atomic power "may be of great importance in supporting the future expansion of aluminum output in the United States,"[6] it will be of generally slight benefit in other major energy-consuming industries such as chlorine-caustic soda, phosphate fertilizer, cement, brick, flat glass, and railroad transportation. The Commission estimates "that existing steel production centers will continue to find the coke blast furnace a less costly source of iron than hydrogen furnaces based on atomic energy"[7] and "that the concentrated heating demand which would probably be required to bring nuclear district heating costs down to a competitive level exists in very few American cities."[8]

The selection of a growth industry is further complicated by the fact that we are too close to the past. We are often overly impressed with recent performance and, consciously or unconsciously, project this as a trend into the future. Nothing could be more dangerous. We know that in a great many cases industries grow, rapidly at first, but less so in later years; reach maturity; and may even decline eventually.[9] This phenomenon occurs for a number of reasons. In the case of durable goods, once required stocks are accumulated, production levels off as it becomes more dependent upon replacement demand. Other industries lose out to new competitors—coal to fuel oil, rayon to nylon, railroad to trucks. Still other industries are dependent upon the rate of population growth, or may serve the needs of other maturing industries. The danger to the investor lies in the fact that on the basis of the record these maturing industries can look extremely attractive—but you are buying the future record, and this may be sharply different from the past for the reasons given above.

Thus the selection of growth industries is dependent on a great deal of foresight, a knowledge of the interrelationships of various industries, and a sound understanding of the basic laws of economics. It is not a task for the faint-hearted or those who scoff at the future possibilities of our economy. Because of the increasingly complex nature of our modern industry, the selection of growth industries seems to be even more difficult today than 40 years ago.

The next step in the process is to choose one or more growth companies within the growth industry selected. If it is truly a growth industry, there are many infant firms from which to select. Only a few will grow. Many will fail, and "buckshot diversification" without careful selection will maximize losses rather than profits.

The investor must decide whether he will make his commitments during the early stages of growth or later on when the leading companies are more firmly established. Investing early provides the greatest opportunities for gain, but also the greatest possibilities of loss. For example, between 1903 and 1924, a total of 180 companies were engaged, at one time or another, in the manufacturing of automobiles. By the end of 1924, 121 of these firms had left the industry. Of the firms which had come and gone in this 22-year interval, 51% had lasted five years or less.[10] Furthermore, of the 10 original leaders in 1903, only one was still a leader in 1925.[11] This is a fairly typical pattern of new industries.

Thus the risks in the initial stages of growth are great, so great in fact that it is highly questionable whether the average small investor is wise to purchase stocks of firms at that time. Waiting for the leaders to become recognized undoubtedly means paying a higher price for their stocks, but it may be worthwhile to avoid some of the excessive risk.

Besides considering the timing

Continued on page 18

*An address by Dr. Johnson before the Semi-Annual Investment Forum of Buffalo, Buffalo, N. Y., Jan. 29, 1953.

1 Edgar L. Smith, *Common Stocks as Long-Term Investments* (New York, The Macmillan Co., 1924), p. 129.

2 Alfred Cowles and Associates, *Common Stock Indexes 1871-1937* (Indiana, Principia Press, Inc., 1938), pp. 40-41.

3 Jacob O. Kamm, *Economics of Investment* (New York, American Book Co., 1951), pp. 216-217.

4 F. Frederick Dewhurst and Associates, *America's Needs and Resources* (New York, The Twentieth Century Fund, 1947), p. 218.

5 George W. Norris, "Who Is to Apply Brakes to Excessive Instalment Financing?" *Trust Companies*, June, 1926, p. 847.

6 Sam H. Schurr and Jacob Marshak, *Economic Aspects of Atomic Power* (New Jersey, Princeton University Press, 1950), p. 94.

7 *Ibid.*, p. 100.

8 *Ibid.*, p. 103.

9 See Edward S. Mead and Julius Grodinsky, *The Ebb and Flow of Investment Values* (New York, D. Appleton-Century Co., 1939), 513 pp.

10 Ralph C. Epstein, "The Rise and Fall of Firms in the Automobile Industry," *Harvard Business Review*, January, 1927, pp. 159, 173. etaetao

11 Ralph C. Epstein, "Leadership in the Automobile Industry," *Harvard Business Review*, April, 1927, p. 288.

Connecticut Brevities

A bill, sponsored by **Hartford-Electric Light Company**, has been introduced into the State Legislature to create **Nutmeg Power Company**, a new electric power company to be located in Hartford. The new company would have the right to build generator stations, dams, waterworks and to set up power lines and poles. It would also be able to consolidate with other companies in addition to selling electric power wholesale. It would thus be an instrument through which two or more utility companies could enter into joint enterprises. No projects are planned for the new company in the immediate future.

* * *

At their annual meeting, stockholders changed the name of **LaPointe Plascomold Corporation** to **LaPointe Electronics, Inc.** The name change reflects the company's present operations which include television antenna and various electronic products. Stockholders also approved a plan to increase the board of directors from six to eight members, the two new members to be elected at a later date.

* * *

Pioneer Parachute Company, subsidiary of **Cheney Brothers**, has been awarded an Air Force contract in the amount of $783,000 to produce parachutes. At the annual meeting, stockholders of Cheney voted to split the common stock seven for one, increasing the number of shares outstanding to 238,728.

* * *

Thompsonville Trust Company has announced plans to increase its capital from $200,000 to $300,000 through a stock dividend, transferring $100,000 from the undivided profit account. The bank presently has total resources of about ten million dollars.

* * *

Bridgeport Brass Company has purchased the former Bullard Havens Technical School from the City of Bridgeport. The building will be reconditioned for use by a subsidiary, Bridgeport Engravers Supply Company, and for production of equipment for tube welding and forging.

* * *

Industrial Sound Control, Inc., will be the new occupant of the former American Dye plant of Hockanum Mills, Rockville. The plant is being renovated for the new lessee to house the production of silencing equipment.

* * *

At a special meeting on Feb. 26, stockholders of **The Hartford-Connecticut Trust Company** will vote on the proposed merger with **Windham County National Bank** of Danielson. Shareholders of Windham would receive 1.4 shares of Hartford-Connecticut for each share outstanding. On Jan. 22, stockholders approved an increase in capital from $4,400,000 to $4,950,000. Rights have been issued to holders of record Jan. 22, to purchase one new share for each eight shares owned at $50 a share, with the rights expiring March 2. The offering will raise the shares outstanding to $198,000.

* * *

A bill has been introduced into the State General Assembly to make the changes in the charters of **Danbury & Bethel Gas & Electric Light Co., Derby Gas & Electric Co.,** and **Wallingford Gas Light Co.**, which are necessary to permit merger of these three subsidiaries of **Derby Gas & Electric Corporation** into a single operating company which would be under the jurisdiction of the Connecticut Public Utilities Commission.

* * *

Plax Corporation, subsidiary of **Emhart Manufacturing Company** has opened a new plant in Louisville, Kentucky. The plant, which is under a 15-year lease, contains 30,000 square feet of floor space.

* * *

Russell Manufacturing Company has announced that it has sold its narrow elastic webbing business, located in West Columbia, South Carolina. This plant which was opened in 1950 did not prove to be profitable. Steps are also being taken to dispose of another unprofitable product line.

Columbus Stock & Bond Club Elects

COLUMBUS, Ohio — Hoyt B. Mahon, local representative of the First Cleveland Corp., is the new President of the Columbus Stock and Bond Club. Other officers include Edwin P. Schneider, the August P. Lorenz Co., Vice-President; Harold B. Haughton, the Ohio Company, Secretary-Treasurer, and Don Noe, Bache and Co.; Fred Paisley, Paisley and Co., and Walter M. Zuber, Vercoe and Co.

Hoyt B. Mahon

The club was reorganized in 1945 as an outgrowth of the old Columbus Bond Club. The roster is composed of members of all securities dealers in Franklin County, also, dealers from Newark and Zanesville.

Butler, Herrick Admits

On March 1, Butler, Herrick & Marshall, 30 Broad Street, New York City, members of the New York Stock Exchange, will admit Duncan Bruce to partnership.

Andrews Posner to Admit

Andrews, Posner & Rothschild, 60 Wall Street, New York City, members of the New York Stock Exchange, will admit Florine W. Posner to limited partnership on Feb. 23.

P & S Division Elects New Officers

The following officers of the Purchases and Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, have been re-elected for the term of one year:

President: Richard H. Stewart, of Lehman Bros.

First Vice-President: James R. Graham, of Asiel & Co.

Second Vice-President: Anthony P. Rizzuto, of Hayden, Stone & Co.

Treasurer: Raymond Schibowski, of Hirsch & Co.

Assistant Treasurer: Henry J. Bash, of Neuberger & Berman.

Secretary: Carmine Carmello, of Richard J. Buck & Co.

Assistant Secretary: Leo Hilzenrath, of Bear, Stearns & Co.

Financial Secretary: John E. Jacobs, of Eastman, Dillon & Co.

The annual induction dinner of the division will be held on Saturday, Feb. 28, 1953, at the Hotel Statler.

Hazelwood Mgr. of New Davis Office

Paul H. Davis & Co., has announced the opening of an office in New York City, marking the first time this 36-year old Chicago investment firm has maintained an office in the East. The office will be under the management of Charles F. Hazlewood at 111 Broadway. Mr. Hazlewood recently has been associated with W. C. Langley & Co., and earlier was Executive Vice-President of Blair, Rollins & Sons. Mr. Hazlewood started in the securities business in 1915. He joined Estabrook & Co. in 1921, becoming a partner of that firm in 1929. Paul H. Davis & Co., a leading Chicago underwriting firm and a member of the principal stock exchanges, also has offices in Peoria and Rockford, Ill., and Los Angeles.

Boston Investment Club To Hold Dinner Meeting

BOSTON, Mass. — The next dinner meeting of the Boston Investment Club will be held at the Boston Yacht Club on Wednesday, Feb. 24, at 5:00 p.m.

Principal speaker will be Sherwin C. Badger, Financial Vice-President of New England Mutual Life Insurance Co. of Boston, one of the leading authorities on money rates and the money market. The title of his address will be "Are We Borrowing Ourselves into Debt?"

A. L. Schrijver Forms Own Investment Co.

A. L. Schrijver has formed Schrijver & Co. with offices at 37 Wall Street, New York City, to engage in the securities business. Mr. Schrijver was formerly a partner in Albert de Jong & Co.

SEC Reports Peak Securities Registrations

Chairman Donald C. Cook, in report to Congress, says registrations under Securities Act of 1933 amounted to $9½ billion in fiscal year ended June 30, 1952, a third greater than in 1946, the previous high. In all, 881 separate issues were registered as against 702 in previous year.

Chairman Donald C. Cook of the Securities and Exchange Commission, in the Commission's Eighteenth Annual Report to Congress for the fiscal year ended June 30, 1952, reveals that, during the fiscal year, registrations under the Securities Act of 1933 were in the amount of $9.5 billion, the greatest amount for any fiscal year since securities have been registered with the Commission and a third greater than the previous high of $7.07 billion in the 1946 fiscal year. This is the seventh consecutive year that the dollar volume of securities registered for public sale exceeded the $5 billion mark. Of the dollar amount of securities registered during the year, almost 70% was for cash sale, reflecting the need for external funds by corporations in connection with their large-scale capital expansion programs, and giving evidence of the strength and vitality of the capital markets.

Donald C. Cook

The Commission's report presents the following analysis of underwriting commissions and discounts as a percentage of the gross proceeds of securities registered for cash sale for the last ten years:

Fiscal Year	Bonds	Preferred	Common
1943	1.7	3.6	9.7
1944	1.5	3.1	8.1
1945	1.3	3.1	9.3
1946	0.9	3.1	8.0
1947	0.9	2.8	9.3
1948	0.6	4.5	10.2
1949	0.8	3.8	7.1
1950	0.6	2.7	6.4
1951	0.8	3.6	6.1
1952	1.0	3.2	5.8

Securities registered during the year comprised 881 issues covered by 635 registration statements, as against 702 issues covered by 487 statements during the previous year. The Commission's examination of these registration statements is keyed to the one objective of providing disclosure of financial and other information in such manner as to enable the investing public to make informed and prudent investment analyses and decisions.

The report notes that pursuant to the provision in the Securities Act of 1933 designed to encourage small business by authorizing the Commission to exempt from the registration requirements securities offerings up to $300,000, there were offerings of about $210 million during the year, representing a substantial increase over the preceding year's offerings of about $174 million.

During the year the Commission adopted or proposed changes in its rules and forms with respect to registration reflecting its continual efforts to afford investors a maximum of timely disclosure in an understandable form. Toward that end, the Commission revised the prospectus requirements so as to shorten and improve the prospectus without the sacrifice of material information. The Commission also considered a rule, since adopted, permitting the publication of a brief "identifying statement" giving certain limited information with respect to the securities in advance of the effective date of the registration statement covering those securities. This procedure, the Commission states, will foster public dissemination of the registration disclosures by giving interested investors an opportunity to learn of the proposed sale of the securities and to request a copy of the prospectus.

The Commission reports that, at the close of the fiscal year, 2,192 issurers had 3,588 security issues listed and registered on national securities exchanges, reflecting net increases for the year of 43 stock issues with 193 million shares and 22 bond issues in the principal amount of $514 million. During the year, the Commission examined 673 applications for registration of securities on the exchanges as well as 2,865 annual reports and approximately 11,800 current reports of listed companies and about 1,200 amendments thereto. There were also filed more than 20,000 insiders' trading reports and material relating to 1,818 proxy solicitations, all of which required careful examination.

The total market value on Dec. 31, 1951, of all securities admitted to trading on stock exchanges in the United States was about $226 billion. While the net number of stock issues traded on the exchanges declined from 3,052 at the close of 1948 to 3,032 at the close of 1951, the aggregate market values of the stocks traded rose from $82 billion at the close of 1948 to $129.2 billion at the close of 1951. In 1951 alone, the increase was $18.2 billion, compared with an increase of $29 billion during the preceding two years 1949-1950.

Large fluctuations in the number and dollar volume of shares sold on the exchanges since 1935 are noted in the report. A peak of 962 million shares with a dollar volume of $23.6 billion was reached in 1936, from which there was a year by year decline to 221 million shares with a dollar volume of $4.3 billion in 1942. Thereafter, sales and dollar volumes generally rose until, in 1951, 864 million shares with a dollar volume of $21.3 billion were sold. During the half year ending June 30, 1952, about 382 million shares with a dollar volume of $9.2 billion were traded. The reported volume of stock traded on an unlisted basis during 1951 was in excess of 60 million shares, or between 7 and 8% of the total 1951 share volume on the exchanges.

Darragh A. Park

Darragh A. Park passed away February 9th after a brief illness. Prior to his retirement he was a Vice-President of the Manufacturers Trust Company.

With W. C. Pitfield

MONTREAL, Que., Canada — J. Maurice Arbour has become manager of the French Department for W. C. Pitfield & Co., Ltd., 235 St. James Street.

Morgan Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Guy C. Hewitt has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

With Schirmer, Atherton

(Special to The Financial Chronicle)

BOSTON, Mass. — Daniel L. Quinn has joined the staff of Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

The Outlook for Natural Gas

By GARDINER SYMONDS*
President, Tennessee Gas Transmission Company, Houston, Texas

Mr. Symonds traces growth and development of natural gas industry, which has doubled its assets in last 10 years and is now one of nation's largest industries. Concludes natural gas industry has ample reserves, a ready market, and improved producing and distributing facilities, and, given a favorable regulatory atmosphere, its outlook is one of unlimited expansion.

An industry that has doubled its assets in the past 10 years and which now ranks in size among the first half-dozen industries in the nation, such as the gas industry, presents a timely topic for discussion. I trust I will have a part in making it interesting. So much has been written and said by so many about natural gas that to add anything new will be difficult. Your subject for the day, "The Outlook for Natural Gas" of course is a broad one. As a consequence, Mr. Oates and I have reached an understanding. He will talk about the distribution and storage phases of natural gas while I will confine my discussion to the production and transmission end of the business. This is perhaps as it should be as we will both be sticking a little closer to home.

However, as an operator of a long-line pipeline, I must say that we are highly interested in storage and the things Mr. Oates and others are doing along that line. It is revolutionary and may have far-reaching beneficial effects on the whole industry.

On the other hand, as the chief executive officer of Tennessee Gas Transmission Company, my primary interest in the gas business is one of transmission, since our company is a transmission company pure and simple. We do have other interests, including the production of gas and oil through our close affiliate, Tennessee Production Company, but since Tennessee Gas is one of the big carriers of fuel in the country, we feel we have something to add on that segment of the industry.

And when I speak of a natural gas pipeline carrying fuel, I am thinking of fuel in its complete sense—not just natural gas. In the true perspective, natural gas pipelines are merely transporters of fuel, and as such, have become an integral part of the great transportation system of this country. As you know, pipeline companies buy the gas in the field and sell it at the other end of their lines but their essential purpose is to haul fuel to market.

The important niche gas pipelines have won in the transportation net-work of the nation can be seen from the fact that natural gas transmission lines in service now total in excess of 115,000 miles. This does not include gathering or distribution mains.

What this extensive transmission mileage means in terms of fuel going to market can be seen from using my own company as an example. The Tennessee Gas system is more than 2,000 miles long and runs from Texas to the eastern seaboard. We haul the gas that enters our system an average of 1,200 miles. And in so doing, each day we transport for that distance the equivalent in heating units of 250,000 barrels of fuel oil or 60,000 tons of coal. This amount of "freight" hauling is 30% greater on a ton-mile basis than the total freight moved in 1951 by the Illinois Central railroad.

Pipeline transportation goes on every day of the year, day in and day out, 24 hours of the day, rather than the approximately 220 days out of the year coal operators work or the roughly 50 working weeks each year for oil tankers.

Yet we are merely typical, for with the major growth in gas transmission lines that we all have witnessed, our system is only one of many now doing the same thing. Consider Northern Natural, Southern Natural, United, Texas Eastern, Transcontinental, Colorado Interstate, El Paso Natural, Panhandle Eastern, Texas-Illinois, Trunkline, Texas Gas Transmission, Michigan-Wisconsin, Mississippi River Fuel, Natural Gas Pipeline Company, Cities Service, and others. All are part of a great transmission grid that constitutes an increasingly important segment of our national transportation system—and deserve recognition and treatment as such.

Yet the gas pipeline business has some characteristics all of its own — characteristics which are worth noting at this point I believe. For one thing, less than 10% of our total operating cost is for labor. This low labor content places pipelines in a most advantageous position as compared with transporting coal or any rail transportation, which has a much higher labor factor. Therefore, a general increase in wage levels produces a lesser increase in total costs for pipelines than for competing fuel carriers.

With a return on investment of approximately 6%, a little more or a little less, depending upon the current fancy of the Federal Power Commission, and including all operating expenses, plus depreciation and taxes, we haul gas for less than two cents per MCF (thousand cubic feet) per 100 miles. In other words, taking everything into consideration except the cost of the gas purchased which we get back on the other end after selling it, we transport gas for something well under two cents per MCF per 100 miles.

Compared with other forms of transportation, that's low-cost hauling. And what's more, this fuel being transported is in a stream constantly flowing and constantly available.

Looking at this another way, and what it means in terms of actual money, we can again use Tennessee Gas as an example. Our company provides a market for $73,500 worth of gas each day in the gas fields of Texas and Louisiana. And each day we carry it to the East, where by virtue of transportation added, it becomes worth $272,000 at present rates.

That natural gas now constitutes a vital part of our industrial economy is recognized by all but I am not so sure that everyone recognizes the extent. This is more clearly understood when we get down to the fundamental forms of energy, for after all, natural gas is merely stored energy in gaseous form.

Natural Gas as Primary Energy Source

In this connection it is interesting to take a look at the principal primary energy sources in the United States and the relationships of each to the whole and to each other, and see what has been happening historically. Because out of this welter of comparative figures emerges the true relative position of natural gas and the almost unbelievable pinnacle of importance within the nation's over-all fuel picture to which natural gas has climbed within only a few short years.

Many are prone to gauge their estimate of the natural gas industry's growth on figures of annual consumption by consumers, which, as we all know, have substantially increased each year. But consumers have been taking more and more of nearly everything this nation produces for a good many years. We have been living in a period of an expanding economy.

So what could be more basic or more significant than to reduce all components of our national energy supply to a common denominator of energy units and see how each component stacks up against the other as far as the job of supplying the nation's continually growing energy requirements is concerned? When you do this, the spot light then falls, not alone on the increased use of natural gas, but also on the marked shift to natural gas, principally at the expense of coal. The change in the proportionate use of energy sources is startling.

Coal, petroleum, water power and natural gas have long been the principal primary energy sources in this country. From these four basic reservoirs of energy have come the fuel and the power that have kept our homes warm and turned the wheels of industry. A record of the role each plays in doing this job is kept by the U. S. Bureau of Mines. Let's look at the record.

First, a long look backward to 1900. The aggregate of our energy supply, as well as individual components, in terms of equivalent heat units (BTU's), increased substantially since the beginning of this century as an inevitable counterpart of the country's economic growth during the period. The total energy supply in 1900 was 7,893 trillion BTU's as compared with 38,635 BTU's in 1951.

Moreover, there was significant relative shifts among the several components with the most noteworthy being from solid fuels to liquid and gaseous fuels. Thus, while the total supply has increased almost five-fold, the natural gas contribution has increased almost 30 times, but that of solid fuels less than three times, since 1900. Recent data show that natural gas provided 20.6% of the primary energy supply in 1951 as compared with only 3.2% in 1900.

But the big shift to natural gas as the sinew of U. S. productive power has taken place before our very eyes in slightly more than a decade as the big pipeline carriers stretched farther and farther across the face of the nation, making possible increased production on one end and increased consumption on the other. Millions of people who have never seen a big pipeline changed their ways of living and working as a result.

The figures tell the story. In 1940, coal provided 53.1% of the nation's energy supply. In only 10 years, it nose dived to only 41.4% in 1950. During the same period, petroleum increased from 32.1% to 35.4% while water power increased slightly from 3.5% to 4.5%. But the really healthy jump was made by natural gas which went up from 11.3% to 18.7%.

Is this trend continuing, you might ask? Well, let's see what has happened in only one year, from 1950 to 1951: Coal continued to skid, dropping from 41.4% to 39.0% while water power dipped from 4.5% to 4.0%. Petroleum continued its slow but steady rise, going up from 35.4% to 36.4%. But natural gas continued its galloping gait and rose from 18.7% to 20.6%.

I firmly believe that when the figures are in for this past year we will find that between 1940 and 1952 natural gas doubled its proportionate share of the energy requirements of this nation.

Some experts in the field have estimated that in another quarter of a century, this country will be consuming twice as much energy as we consume today. I am confident that when that time comes, natural gas will be providing a much higher percentage of the total than now.

While on the subject of energy sources, and before someone asks me about atomic energy and its potential, I would like to hastily point out that I am not an expert on atomic energy. But as far as I am able to determine, no one yet has developed a method of utilizing atomic energy commercially for everyday common uses that will compete on a price basis with the established forms of heat and power. And again, as far as I am able to determine, such development is a long way down the road. Like the tremendous energy of the sun that beams down upon us in such abundant quantities, it is there, but you can't afford to pipe it in the kitchen and fry pork chops with it.

But getting back to natural gas that can be brought into homes and factories — and which also, incidentally, is now being used by the Atomic Energy Commission in the creation of atomic power—the continued expansion of the gas industry depends of course upon the reserve supply. I sometimes recall 30 years ago when my geology class graduated from college, we were urged to seek our fortunes in foreign lands because there were no geology jobs in the United States as all oil and gas had been found here. I did not and many others did not and our youthful faith has been rewarded.

Increased Gas Reserves

The tremendously increased gas reserve are a matter of common knowledge. I don't know that I can express it any better than your own Dr. Gustav Egloff here in Chicago, research director for Universal Oil Products Company and an acknowledged leader in the field.

He recently pointed out in a study [1] that since 1935 the net production of natural gas has increased over three times and the marketed production over five times. He estimated that the production of natural gas will reach 15 trillion cubic feet by 1975.

Figures on proven reserves on hand are not as significant as the ratio of discovery over production. In 1951 the net production of natural gas was about eight trillion cubic feet while proved reserves increased by the same amount. This means that about 16 trillion cubic feet of gas were discovered during the year. And that has been the story, year after year. It has been much the same as a water well that increased its water level every time the bucket was lowered.

At the present rates of consumption, our proved reserves of natural gas are equal to about a 25 years' supply as compared with the indicated 19 years' supply of natural gas liquids and 13 years' indicated supply of crude oil, Dr. Egloff has brought out.

But he also points out that such

Continued on page 45

*A talk by Mr. Symonds in a panel discussion held at the Midwest Forum of the Investment Analysts Society of Chicago, Chicago, Ill., Jan. 20, 1953.

1 At 1952 AGA convention at Atlantic City in October.

Danger Ahead!

By W. W. TOWNSEND*
President, Townsend-Skinner & Co., Inc.
Investment Counselors, New York City

Mr. Townsend holds, despite increase in savings by lower income groups caused by wealth redistribution, an inverted pyramid exists in the vast growth of individual private debt. Says danger exists that this debt pyramid may collapse and, as in past, may precipitate a recession or depression. Urges higher liquidity and loss reserves by savings institutions.

In the last analysis, the volume of business done depends on two factors (1) the Capacity of the customers to spend and (2) their Willingness to spend. The ideal situation is when Capacity is slightly higher than Willingness so that saving is assured, and when Willingness is just about enough to absorb the Supply of goods and services. This, of course, is oversimplification.

W. W. Townsend

If Capacity exceeds Willingness by a substantial margin, savings pile up and business slows down. If Willingness exceeds Capacity by a wide margin, we begin to build up—somewhere in our economy—an inverted pyramid of debt which usually grows too big, topples over and frequently brings the whole economy down with it.

Never before in the history of this nation have both these distortions existed side by side. And the reason this point is emphasized is because the Savings and Loan Associations, as well as all other thrift institutions, have benefited tremendously from one of these distortions and may be seriously hurt by the other.

The redistribution of wealth, which was a figure of speech in 1932, has become an accomplished fact. The previously rich are poorer and the previously poor are richer. About one-half of today's disposable income in the form of bank balances and Government Bond ownership has gravitated into the hands of the upper and lower middle income group—the families with incomes of from $2,000 to $6,000.

In this group—especially the organized workers, the subsidized farmers and the successful small businessmen—are a great many whose concepts of necessities and luxuries have not kept pace with their increased incomes. Their excess earnings have found their way into the thrift institutions, as a natural development, and very largely into the Savings and Loan Associations because there are so many of them, they are so convenient and they usually pay a somewhat higher return on savings.

The Increase in Savings

Last year, the Mutual Savings Banks of the country increased their deposits by $1.703 billion, while the Savings and Loan Associations increased their share capital by about $3.05 billion. The two together have been largely responsible for the very healthy growth of home-ownership to the point where today more than one-half of our homes are owner occupied.

Not all of these share capital and deposit increases represent savings for the indefinite rainy day. Some of this money is merely being "warehoused" in anticipation of purchases still under consideration. That, however, is not the point of this discussion except as it may indicate the necessity for adequate liquidity reserves. The real danger is inherent in the second distortion.

A very large segment of our population has given so many hostages to fortune, in the shape of acquired habits of living and dependents, that, in order to keep up with the Joneses and to provide Jimmy and Jenny with their expected college educations, they are drawing down on their savings and are buying on the installment plan. These are the previously rich and it has been estimated that 25% of today's consumer debt is owed by the top 10% of our families, according to income groups.

In the middle income and low income groups are the pensioners, the white-collar workers, the civil service employees, etc., who simply have not been able to keep up with living costs and taxes. They are borrowing, sometimes from hand to mouth, in order to keep going.

Private Debt—the Inverted Pyramid

Today's inverted pyramid of debt which might topple over and cause great damage is Private Debt. In 1945 it stood at $141 billion—about 50% of the sum total of State, Federal and Local Public Debt. Today it is $302 billion, or about 110% of the Public Debt total. It includes Corporate as well as Individual debt and long-term as well as short-term debt but if it starts to fall it may involve all debt.

The danger point in this debt structure is short-term Individual debt. This has increased from $5.6 billion in 1945 to $24 billion in 1952, with the increase last year $3 billion and no sign of a letup. Installment debt alone has increased in the past seven years from $2 billion to $16.4 billion, or by over 700%.

Every recession or depression in our history has been either precipitated or accompanied by a collapse of one of these debt pyramids. And in every instance since the end of World War I the public has been told that there was nothing to worry about. The reason for this, in all probability, is that no one of these inverted pyramids has resembled the one which preceded it. The pyramid of 1921 was based on commodity speculation. 1929 saw security speculation. 1937 was an inventory log-jam and 1952 is private debt.

Why There Is Cause for Concern

The two arguments advanced most often by those who would convince us that there is no present cause for concern are (1) the national income and the sum total of personal assets, and (2) the good previous record of installment debt repayment. The answer to (1) is that aggregates divided by units give average but not actual performance. Per capita incomes and assets would be conclusive only if Jim would agree to pay Joe's debts—which he will not do. The answer to (2) is a simple reduction to absurdity. The patient who is brought to the hospital threatened with pneumonia is not reassured by the statement that the last time he was there he had no symptoms of pulmonary congestion. That time he was in the hospital for gallstones.

However, there is some merit to the idea that Jim and Joe are the same person and that the borrowers are also the savers. It is a challenge to credulity to be told that they are absolutely identical but there probably is an overlap. Now, what happens to savings if that is true and further credit is withheld or final payment is due and difficult? That answer is easy. But what happens to savings is also what happens to savings institutions. And that should concern every executive in every such institution.

If Jim and Joe are not the same person, the impact on the savings institution is not as prompt and direct but is inescapable. Any collapse of debt brings in its wake a collapse of the businesses which are based on debt or credit extension. This is the old story of the forest fire. It can be started with a match but thereafter it feeds on itself until it is burned out or is arrested by counter measures. Under such circumstances, anyone's savings in any savings institution are likely to be requisitioned.

This is no counsel of despair. The danger may be averted. It is most ominous right now because it is not widely recognized as a danger. But the debt pyramid which always has complicated our troubles before is staring us in the face again. And, because the danger is there it is wise to provide against it. That means, quite simply, to make sure that liquidity and loss reserves are higher than they have been or need to be—for the time being. If nothing untoward happens, the slight income loss will be cheap insurance. If it does, the institution is that much better able to cope with it.

*Abstract of an address by Mr. Townsend before the Allegheny County Savings and Loan League, Pittsburgh, Pa., Feb. 12, 1953.

Stanley Davis With Geo. Eustis & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Stanley O. Davis has become associated with Geo. Eustis & Co., Traction Building, members of the Cincinnati and Midwest Stock Exchanges. Mr. Davis was formerly with Clair S. Hall & Co. specializing in mutual funds.

Somerset Securities

Somerset Securities Corporation has been formed with offices at 70 Pine Street, New York City, to engage in the securities business.

With W. W. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Anthony J. DeMarco has joined the staff of Edward E. Mathews Co., 53 State Street.

Joins Kalman Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Paul J. McGough, Jr. is now connected with Kalman & Company, McKnight Building.

D. D. Schroeder Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Charles R. Wilkes is now with D. D. Schroeder & Co., Northwestern Bank Building.

With Fahnestock Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Charles M. Aldrich is with Fahnestock & Co., 75 Pearl Street. He was previously with Paine, Webber, Jackson & Curtis.

Now Thornton Mohr Farish

MONTGOMERY, Ala. — The firm name of Thornton, Mohr & Co., First National Bank Building, has been changed to Thornton, Mohr & Farish. Partners are J. Mills Thornton, Sidney J. Mohr, Jr., J. Mills Thornton, Jr., and Addie Lee Farish.

The New Agricultural Policy

By HON. EZRA TAFT BENSON
Secretary of Agriculture

Stating agriculture objective is to provide consumers with high quality food and fiber at reasonable prices and, at same time, to permit full parity prices of farm products and parity incomes for farm people, new Agriculture Secretary warns this program cannot be assured by government alone. Advocates research and education in production, processing, marketing and utilization of farm products. Says "too many Americans are asking Washington to do for them what they should do for themselves"

The supreme test of any government policy, agricultural or other, should be, "How will it affect the character, morale, and well-being of our people?" We need—the world needs—a strong America in the critical years ahead.

Ezra Taft Benson

Freedom is a God-given, eternal principle vouchsafed to us under the Constitution. It must be continually guarded as something more precious than life itself. It is doubtful if any man can be politically free who depends upon the State for sustenance. A completely planned and subsidized economy weakens initiative, discourages industry, destroys character, and demoralizes the people.

Rural people are a bulwark against all that is aimed at weakening and destroying our American way of life. The future of agriculture and the preservation of a sound economic system depend upon the vigorous re-emphasis of the principles, benefits, and values of private competitive enterprise. No group in America is in a better position to contribute to this need than those who live on farms. Agriculture is a basic industry. We recognize that agricultural policy is only a part, but a vital part, of our total national policy.

With the development of mechanized commercial agriculture, the family farm has become closely geared into a complex interdependent industrial economy. There is no hope for peace, growth, or prosperity if each economic group is seeking its own advantage to the detriment of others. To make their best contribution to national welfare, farmers must have the full cooperation of industry and labor, because each is dependent upon the effective performance of the other economic groups.

The objective of agriculture is to provide consumers with high quality food and fiber at reasonable prices, improve the productivity of basic land resources, and contribute to higher levels of human nutrition and of living. The reward for these contributions must be an income that will provide the opportunity for a constantly rising level of living for farm people fairly related to that of other large productive groups of the nation.

Our agricultural policy should aim to obtain in the market place full parity prices of farm products and parity incomes for farm people so that farmers will have freedom to operate efficiently and to adjust their production to changing consumer demands in an expanding economy. This objective cannot be assured by Government programs alone. It can be achieved only with a steady level of prices, high employment and production, and rising output per worker in our total national economy.

Agricultural Research and Education

The most important method of promoting the long-time welfare of farm people and the nation is the support of adequate programs of research and education in the production, processing, marketing, and utilization of farm products and in problems of rural living. This program, with freedom, has enabled farmers to do their full share in providing the American people with the highest level of living in the world. Moderate further balanced expansion is necessary to enable farmers to provide an even better diet for our rapidly increasing population.

The development of modern agriculture, which has made possible these great achievements, has placed the family farm in a vulnerable economic position because farm prices and income rise and fall more rapidly than farm costs. Hence, the guarding of farm levels of living requires a program of storage and price supports to help to assure stability of income. These supports should be designed not only to serve the welfare of farmers, but also—in the widest national interest—to prevent disaster to the farm-producing plant and the national food supply.

Price support laws will be carried out faithfully in every respect. There are mandatory price supports at 90% of parity on the so-called basic commodities for 1953 and 1954. Other laws provide for supports on other farm products. While enforcing these laws, there will be formulated long-term programs which will more fully and effectively accomplish our over-all objectives.

Price supports should provide insurance against disaster to the farm-producing plant and help to stabilize national food supplies. But price supports which tend to prevent production shifts toward a balanced supply in terms of demand and which encourage uneconomic production and result in continuing heavy surpluses and subsidies should be avoided. Our efforts should be to re-orient our present national policies and programs so that they will contribute to the development of a prosperous and productive agriculture within our free enterprise system.

It is generally agreed that there is danger in the undue concentration of power in the Federal Government. Too many Americans are calling on Washington to do for them what they should be willing to do for themselves.

Individual freedom and citizenship responsibility depend upon the principle of helping the individual to help himself. It is possible through individual and group action to solve many problems and achieve objectives locally with a minimum of Federal assistance and control.

The principles of economic freedom are applicable to farm problems. We seek a minimum of restrictions on farm production and marketing to permit the maximum of dependence on free market prices as the best guides to production and consumption. Farmers should not be placed in a position of working for Government bounty rather than producing for a free market. However, the ability to avoid restrictions on

Continued on page 44

The Challenge of the Big Change

By ARTHUR B. HOMER*
President, Bethlehem Steel Company

Commenting on the "big" economic and social changes in last quarter of century, prominent steel company executive predicts we can have "real prosperity in years ahead—a prosperity not based on inflation and arms but on greater productivity, more advanced technology, and an equitable distribution of the fruits of our revolution." Says it is a challenge to business to maintain a high level economy, and thus have an opportunity to justify faith in our capitalistic system, and warns business has obligation to avoid getting into an "over-extended position."

The times prior to World War I may have an occasional nostalgic appeal to some, but it remains a fact that it was an era of fundamentally unhealthy extremes of wealth and poverty. It was a time when Ricardo's Iron Law held wages to a minimum for a 10- or 12-hour day and when our huge annual import of cheap labor made it seem unlikely that the Iron Law would ever be superseded.

A. B. Homer

It was a time when sober and conservative citizens were wondering whether the nation was committed to a reign of plutocracy. Conservative newspapers speculated editorially on the possibility that the perils of Socialism might well be less than the concentration of wealth in a very few hands.

Yet it was a time, also, when ferments were at work which were to lead to vast changes in the years to follow. In 1901, Spindletop blew in to provide the energy for the automotive age. In 1909, Leo H. Bakeland first put on the market a chemically-made substance which he called bakelite, which was the seed from which the plastics industry grew. And in the same year, Mr. Henry Ford went into mass production of his model T. Five years later, this same industrial genius announced a move with equally revolutionary implications—a $5 minimum wage for an eight-hour day.

I could continue to pile up the dates, but the point is clear. A process was going on within our economy the full significance of which is just now beginning to be comprehended. We were coming to realize that, with the stepped-up productivity that followed, the Iron Law, which held wages to the level that the least skilled would accept, was no longer valid. With the repudiation of that law came the discovery of a new frontier — the purchasing power of the broad mass of the people.

I might add that this discovery long antedated the advent of the New Deal. As Mr. Grace, our Chairman, put it once,

"In the last 10 years a new order has been created in our economic life. It is recognized, first, that high standards of living are based on the greater earning power of labor, and second, that continued prosperity and high wages go hand in hand." That was in 1928 and he had been thinking in those terms for many years.

Exploration of New Frontier

Now it is only within the past few years that the exploration of this new frontier has really gone ahead with a full head of steam. But already a transformation of exciting magnitude has taken place in an economy that not so very long ago some economists were ticking off as "mature"—meaning that its future was already behind it, its dynamism played out with the "settling of the West."

Well, it is the thesis of Mr. Allen and other commentators on the social scene that with the dynamism of invention and mass production; with the development of our resources; with tax laws and minimum wage laws which broadened the base of disposable wealth; plus labor union pressures and new management attitudes, we went to work, maybe unknowingly, to change things. It is becoming evident that we have succeeded beyond our full ability to grasp what has been accomplished.

I believe we have to accept this Big Change as a fact, even though we may differ as to the relative importance of the elements going into its makeup. We have had a transformation of our industrial life. We have discovered the potency of purchasing power in the hands of the people. We have effected a new industrial revolution in efficiency, productivity and scientific technique. And we have somehow survived the stresses and strains of working out new distributions of responsibility as between government and the private sphere. And, broadly speaking, we have done all this without inflicting any permanent scars on the body politic.

Although the American people may recognize now that something unusual has happened, are we up to the challenge that the present situation holds forth? Can we consolidate our gains and go on ahead to bigger and better things in the future?

I believe that some part of the answer to what the future may hold can be found in an analysis of the principles which made the Big Change possible.

Now it is clear that it didn't come about as something dreamed up by all-wise planners. It is also clear that you cannot leave out of account a series of practical reforms in our laws. Neither can you discount the effects of the laws and processes that have resulted in a more uniform distribution of wealth. And then, too, there is the part played by government subsidies to people, who, rightly or wrongly, are supposed to need help. Also, the attainment of objectives of organized labor has been important. But, above all, without the enormous gains in the efficiency of American industry and business, the other changes would have meant but little.

How to Stimulate Industrial Efficiency

What I would like to do is to go a step beyond all of these factors and get at the why of our enormous gains in industrial efficiency. What are the real essentials of the system that have made big changes possible?

I submit that at the heart of the big change we will find something that made Mr. Ford's revolution possible; we will find something that made the gain in industrial efficiency possible; we will find something which came before modern social legislation, or before the growth of labor unions or the emergence of "new management attitudes." To my mind that something might well be described as the "economics of freedom," and it could be analyzed as being composed of four essentials:

First, the acceptance of the fundamental importance of private property which is at the root of all of our secular freedom.

Second, the profit motive which provides the dynamism and drive of our economy.

Third, competition, which is not just "the life of trade," but an absolute necessity if we are not to stagnate.

Fourth, consumer's choices acting through a free market pricing system as the ultimate arbiter of our economic life.

Now it should not be necessary to spell out to this gathering the importance of any one of these factors. There will probably be a substantial degree of agreement here that the market place is a reasonably safe monitor of our material destiny.

I anticipate that you will go along with me in the assertion that the producers of goods perhaps know best how to produce and what goods to produce. It seems equally apparent that the distributors of goods perhaps know best how, when and at what prices goods should be distributed. And it seems to me entirely appropriate that the consumers of goods should call the signals on the whole process.

Ultimately, in a free society, acceptance or rejection by consumers makes the market. That is the only democratic way in which a market can operate.

Either we rely on these essentials to guide the flow of men, money and materials into the most socially useful channels while providing the maximum degree of freedom for individuals—or we slide into a system under which an all-powerful state attempts to do these things for us.

During the past 20 years the foundations of our American system came, at times, dangerously close to being undermined. The economics of freedom, which is the essence of the system, was at a discount. Let us admit that that freedom had been subject to abuses in the past, that some necessary legislative checks against the greed of the few had to be erected. Let us admit that innovations such as the reasonable regulation of security exchanges and public utility holding companies were in order. So, too, was the insurance of bank deposits, and the provision of greater security for the aged and dependent.

But let us not forget that it was the presence of freedom running through our economy and the underlying belief that free men are stronger than those less free that made possible the progress we can record today.

What Is A Free-Market Economy?

In a free-market economy decisions as to buying and selling, and as to what goods are to be made and in what quantities, are responsive to the impersonal functioning of the price system. A free-market economy is controlled by private persons acting in pursuit of their private interests. It is not subject to the whims of the theorists or the notions of some economic czar.

By and large, prices tell us what to do economically. They determine where we shall live; what our activities will be; whom our employers will be; whether we buy these goods or those services, and so forth. So long as prices are determined largely through consumers' choices — people acting as free individuals making their independent decisions — we have an automatic regulator of our economy which works imperfectly at times but on the whole pretty well.

We depart from this system at our peril when an attempt is made to tinker with the impersonal market mechanism. It is when artificial prices are set that people are apt to do the wrong things—to produce too much of one product or too little of another. It is then that bureaus must be set up to determine who produces what, where, in what quantity and of what quality. The next step is for the bureaucrats to determine who gets it. Each control instituted creates necessity for still other controls. The next step is a police state to enforce the thousands of rules. Incompetence, corruption, evasion and a general breakdown of morality follows inevitably.

I submit to you that if we would but have faith in what a truly free economy can bring, and if we truly practice the virtues of freedom, we will not have to submit to the expedients timorous men and demagogues would foist on us.

Now we have the opportunity to make good on our common faith in free enterprise. In spite of the cold war and the war of stalemate and attrition in Korea, the American economy has proved so productive of both the essentials of military strength and the things we have come to accept as part of our way of life that we can well afford to turn freedom loose.

The New Challenge to Business

The challenge to business today is to maintain a high level economy. If it fails to meet that challenge successfully the fight for a free enterprise economy may be lost. Ours is the opportunity to justify the faith of a majority of the voters in our capitalistic system — capitalism modified by democracy if you like. The responsibility is to pursue wise and constructive policies, not merely from the standpoint of company and personal interest but also from the standpoint of national welfare.

Our primary responsibility as managers is to the owners of our companies and to our employees. No company is well managed that does not give its owners a fair financial return on their investment, and its employees steady employment, good working conditions and the opportunity to improve their earnings. But the responsibilities of the managers of modern business do not stop there. There has been a change and the question is, can we meet its challenge?

Let me simplify my definition of that change, or at least isolate what I believe to be one of its most significant aspects.

The essence of the Big Change as I would define it is that through a combination of technology and a discovery of the importance of sharing its benefits, business has come to a comprehensive recognition of its social responsibilities—and people generally have come to look on our private industrial society as the prime source of material well-being for all.

Going beyond the normal discharge of our corporate responsibilities, you men know how your companies and their executives are responding to all kinds of appeals. They come in day by day but just take stock as I have and you will realize that it adds up to an impressive total.

For instance, representing a manifestation right here within your great automobile industry, take the activities of the Ford Foundation; also the efforts and contributions of Mr. Sloan in the field of medicine, and, just as importantly, the contributions to public service of our good friends, Charlie Wilson and K. T. Keller.

I believe that the responsible managers of our industrial society have no serious thoughts about turning back the clock, or of abusing the economics of freedom by compromise with real freedom in competitive life. To my knowledge, no professional manager worth his salt would believe that there is no public obligation beyond his primary obligation to run his company in a profitable manner for the benefit of owners and employees.

Indeed, it is simply part of good management today to recognize that our plants are vital parts of the communities wherein they are located; that the welfare of our companies is tied up with the welfare of the community.

Beyond that, I believe that business generally recognizes its responsibility for avoiding actions that would get it into an over-extended or weakened position, where the least adversity could endanger its ability to meet its obligations or to maintain production and employment. This, in my opinion, is the very essence of good management.

Let me sum up. I believe that we can have real prosperity in the years ahead — a prosperity not based on inflation and arms but based on greater productivity, more advanced technology and an equitable distribution of the fruits of our revolution.

We can have that real prosperity if we avoid a serious war; if the Federal Government is conducted efficiently and intelligently, and at a reasonable cost which would allow a reduction in the excessive tax burden we are all carrying, and if industry continues to utilize technological advances to reduce costs and make better products, and if the benefits thus made possible go to everyone.

That's a lot of ifs, I grant you, but there's nothing there beyond the capability of this nation. As a people we are by no means out of the woods that grew up as a result of 20 years of tinkering with natural economic forces, increasing debt, planned infaltion, controls—and, of course, history's most costly war. But with the tools that have come with the big change; with the greater understanding on the part of the people that the election evidenced; and with the greater self-knowledge we should all have of the real sources of our strength, I firmly believe the challenge can be met.

*From an address by Mr. Homer before the Detroit Economic Club, Detroit, Mich., Feb. 15, 1953.

Joins Paul C. Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Boris P. Martynow is now with Paul C. Rudolph & Company, Bank of America Building.

George Berry Opens

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—George Berry is engaging in a securities business from offices at 220 South Fifth Street.

With Ducournau & Kees

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Miriam S. Rosenblum is now connected with Ducournau & Kees, Whitney Building.

Three With King Merritt

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga. — William B. Allen, Rolland A. Dessert and Henry A. Stallings have joined the staff of King Merritt & Co., Inc.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — John W. Blume and William A. Payne are now connected with Waddell & Reed, Inc., of Kansas City.

The Task of Ending European Disunity

By HON. JOHN FOSTER DULLES*
Secretary of State

Secy. Dulles reports on recent trip to Europe, and says chief problem is to end political disunity in Europe, which makes for weakness and war. Holds task is to rebuild a new and more unified Europe. Points out much has been accomplished, but delays have been disconcerting, and without future planning, real progress will be difficult. Says opponents of NATO idea spread distrust.

I returned this week from a trip to Europe in company with Mr. Stassen, the director of our Mutual Security Agency.

John F. Dulles

We have reported to the President; I have met, and shall meet further, with Congressional leaders. Now I wish to report to you.

You may wonder why, with so much to do at home, we went so quickly abroad. The reason was the tremendous importance to the United States of real unity in Europe, and the fact that it seemed that some of our European friends might be changing their minds about moving to this goal.

The problem in simple terms is this:

Europe is made up of people who possess an essential unity. They have given a clear and special meaning to the concept of Western civilization. Yet, Europe has remained politically divided. This has led to recurrent wars, which have involved us. It has so weakened the Western European countries that today no one of them could offer strong resistance to the Red armies.

This situation both distresses and endangers us. Europe is the cradle of our civilization, and its industrial power could cruelly hurt us if it were controlled by our enemies.

It has been clear for some time that the biggest single postwar task would be to end the disunity in Europe which makes for weakness and war.

As the second world war blazed up, I wrote: "Continental Europe has been the world's greatest fire hazard. The whole structure is now consumed in flames. When the time comes to rebuild, we should not reproduce a demonstrated fire trap."

Today, we and the free peoples of Europe are all face to face with that very problem. Shall a demonstrated fire trap be rebuilt? Or can not the wit of man devise something better?

Wants a New United Europe

When the first program of interim aid to Europe was before the Senate in 1947, I urged, before the Foreign Relations Committee, that in granting European aid "the basic idea should be, not the rebuilding of the pre-war Europe but the building of a new Europe, which, more unified, will be a better Europe." That point of view was emphatically adopted by Congress. It was written into the policy declaration of the "Marshall Plan" act, and into our military assistance acts, and that concept underlay the implementation of the North Atlantic Treaty Organization, and the stationing of United States troops in Europe. None of these measures was looked upon as in itself adequate to defend Europe. But these steps, together with the creation of a unified continental Europe, would produce a strength which could deter aggression.

These are the ideas that enlightened European leaders themselves put forth. We have not been trying to impress an American scheme on Europe, but to support the plans of the European leaders themselves.

They have already done much. As an outstanding example, they have created, under what is called the "Schuman Plan," a single political authority to deal with the coal and iron resources of Germany, France and the adjacent states. Last Sunday, Mr. Stassen and I saw that authority first go into practical operation at its capital at Luxembourg.

Our European friends also tackled the vital problem of military unity. Last May, the six continental countries of France, Germany, Italy, Belgium, the Netherlands and Luxembourg signed a treaty to create a European Defense Community. Under that treaty, each of the six countries would give up having a separate national army on the continent, and would join in building there a single European army. It was contemplated that the treaties could be promptly ratified, so that the plan could be made operative in six months.

We in the United States were delighted that our European friends had taken this bold step toward making Europe strong and vigorous in its own right. However, the six months from last May went by without any effective steps to ratify, and the six months has now been prolonged to nine months. This has been somewhat disconcerting to us, because the plans for our own security are based on the assumption that the North Atlantic Treaty Organization, which does not include Germany, would be bolstered by the European Defense Community which would draw on German military strength to create a solid continental European military establishment.

$30 Billion Already Contributed To Europe

During the last seven years we have contributed about $30,000,000,000 to Europe. We have tens of thousands of our armed forces in Europe. We have made the effort because the security of Europe vitally affects our own security. But our effort will not permanently serve Europe, or overselves, or humanity, unless it fits into a constructive program for European unity. Nothing that the United States can do will ever be enough to make Europe safe if it is divided into rival national camps.

President Eisenhower himself said recently that he was impressed with the "feebleness" of alternatives to the European Defense Community.

It was to discuss all of these problems that President Eisenhower asked Mr. Stassen and me to go to Europe. We went to seven European capitals — first Rome, then Paris, then London, then Bonn, then The Hague, then Brussels and then Luxembourg. Our conclusion was that the project for a European Defense Community was not dead but only sleeping. We did not get any concrete promises or pledges from our European friends — and we did not give any. We did come back with the feeling that there is a good chance that the European Defense Community will be brought into being. There are plenty of hurdles to be overcome. But we believe that there is a will to proceed. We hope that in the coming weeks this determination will be translated into concrete evidence that real progress is being made. Without that, future planning will be difficult. Candor requires us to say this.

Without European Unity NATO Has Fatal Weakness

NATO is now a far-flung organization. It includes not only countries in this hemisphere but in the North Atlantic and in the Mediterranean. But the core of this far-flung structure is the six continental countries of Western Europe, which have made the European Defense Community Treaty. Unless their military and economic strength is to be combined, as this treaty contemplates, the whole NATO organization has a fatal weakness. The European Defense Community is needed to give the North Atlantic Treaty Organization a stout and dependable heart.

I do not pretend that it is easy to accomplish this. National habits of thought and traditions have grown strong. The countries concerned have often in recent years been enemies. They have fought each other and there are proud memories of victories and the bitter memories of defeat. This means that greatness is needed if unity is to be achieved. That quality, however, is not lacking. We saw it in fact in the peoples of Europe as they had to face the physical disaster of the recent floods. We also found among the statesmen of Western Europe, and so far as we could judge among the peoples of Western Europe, a real determination to take the hard political decisions which would bury the evil of the past and fortify the good.

After our friendly talks, we know, and gladly report, that the political leaders in each of these countries are men of vision and stature. They look not backward but forward. They see the land of promise that lies ahead and they desire to move into it.

Having spent most of my time in talking about what we hope the European countries will do, I would like to conclude with a mention of what the governments and peoples of Europe expect of us.

Our friends in Western Europe knew, when Gen. Eisenhower was with them in Europe, how deep and firm was his interest in European unity, political, economic and military. On this trip, we were able to assure them that President Eisenhower continues to hold the same interest, the same conviction, with regard to European unity.

Some Mistrust of U. S. in Europe

In each of these seven countries we visited we found good will and friendliness on the part of the governments and most of the people, but we also found some fear that the United States is not qualified to give the free world the kind of leadership which it needs at this critical moment. It is conceded that we have the material power, but it is questioned whether we have the accumulated wisdom to make the best use of that power. They are particularly concerned because they now have to deal with a new Republican administration, after having worked for 20 years in war and peace with a Democratic administration. To them, as to many Americans, a Republican administration is a novelty, and to the unknown always carries a certain amount of fear.

The talks which we had with the political leaders of the countries we visited went far, I think, to dispel these fears insofar as official quarters are concerned. However, the public and the opposition parties seize upon incidents and upon statements made here which seem to them to be reckless. Unscrupulous persons use such incidents and statements as reasons why the European nations should not trust us.

It is important for us to remember that we do carry a tremendous responsibility. Any false step could mean disaster not only for us but for our friends. Possibily our friends would suffer even more than we ourselves. Therefore, we must be sober and restrained in our national conduct.

That does no mean being timid, and afraid to take the initiative, to speak frankly or to make hard decisions. Indecision, weakness and vacillation are the qualities which most often lead to war. It does mean that in order to win and hold the confidence of those whom we need as friends and allies, we must at all times play the part of a nation which is fully aware of the grave responsibility which it carries.

That is the kind of leadership we shall get from President Eisenhower, who is accustomed to carry heavy responsibilities and calmly make grave decisions. We shall do well to follow the example which he will set. At this dangerous time, peace and security depend upon clear vision, righteous purpose and firm performance. Let us all work together to achieve these goals.

*A talk by Secretary Dulles broadcast over combined radio and television networks, Feb. 12, 1953.

Continued from page 11

The Selection of Growth Stocks

of his commitment in a growth industry, the investor must also judge how the industry will grow. Will it grow through expansion of existing firms or by entry of new firms? This is extremely important, because if industry growth is achieved by the entrance of new firms, stocks of existing companies may show very little increase in price. Therefore, before making commitments in existing companies, the investor must look for barriers which may successfully prevent the entry of new firms. For example, do present industry leaders have effective control over patents or methods of production? Are such large amounts of capital required that entry is reasonably difficult? Do existing companies exercise effective control over sources of raw materials and specialized types of labor or equipment?

Let me cite a few examples. Since it does not require great amounts of capital or know-how to assemble TV sets, many new firms have entered the industry. On the other hand, to enter the TV broadcasting field one must have a very sizable amount of capital, a license from the FCC, and a considerable amount of technical ability. Entry into the latter field is much more difficult; consequently, stocks in existing TV broadcasting companies may show more growth than the stocks of some of the present television set manufacturers. In other fields, such as the manufacturing of electric resistors and capacitors, entry is quite effectively blocked because existing firms have developed and keep secret specialized material handling equipment. Companies controlling known sources of cobalt, titanium, and tantalum may also prove worthwhile growth situations because of the difficulty of entry into these fields.

Growth Company Approach

The alternative to the selection of growth stocks from within growth industries is to purchase stocks of companies which are flexible and dynamic enough to recognize and develop growth products or services. The investor must look for aggressive management and continuing research to develop new products and new markets. Obviously, the new fields must be successful. An aggressive management and research department which turn out a series of magnificent new flops will hardly provide profits for the stockholders. The investor must also look for strong finances to cushion the shock of occasional unsuccessful ventures. He should consider the proportion of earnings which are retained in the business. A fairly recent study of utility stocks has indicated that stocks with a low pay-out performed better on the average, in terms of both dividends and price, than those with a high pay-out.[12] Since growth in this instance is dependent in part on the compound interest principle, the investor should also examine the rate of return on invested capital. Finally, it is important to determine to what extent the new product or service contributes to total profits. Unless the growth portion of a firm's total business is substantial, it will not produce the results of a true growth stock.

In other words, by adopting this approach, the investor is hiring management to discover growth situations. Recognizing the extreme difficulty of selecting growth industries and growth companies within these industries, the investor turns the task over to skilled management which has a proved record. General Motors, Westinghouse, General Electric, du Pont, Monsanto, Corning Glass, Minnesota Mining and Manufacturing, and American Machine and Foundry might serve as examples of such companies. These firms cannot be nicely classified in any one industry. They are continually developing new products; they create growth industries. The days of Henry Ford in a carriage shop and Charles Goodyear over his kitchen stove are largely past. The products of today are complex and are developed in expensive laboratories through the combined efforts of hundreds of technicians. For the average investor, such companies as these seem to offer the best growth possibilities.

Examples of the "growth industry approach" and "growth company approach" in the selection of growth stocks seem to be exemplified in various investment trusts. Fundamental Investors, Inc. and Growth Industry Shares, Inc. appear to follow the policy of selecting a growth industry and then leading companies from within these industries. Rather than select a growth industry, the Texas Fund holds common stocks of companies operating in a growth area—the Southwestern part of the United States. On the other hand, T. Rowe Price Growth Stock Fund, Inc. pays less attention to the industry and seeks shares in "a business enterprise which has *demonstrated* long-term growth of earnings and which, after care-

12 Henry S. Schneider, "Two Formula Methods for Choosing Common Stocks," *Journal of Finance*, June, 1951, pp. 234-237.

ful research, gives indications of continuing growth in the future."[13] This policy has produced excellent results in the brief history of this trust. Pioneer Fund, Inc. also selects individual companies, but in this case "stress is placed upon the search for securities of small to moderate sized companies which seem to be undervalued, whether or not listed upon any national securities exchange, rather than upon any attempt to evaluate the market leaders."[14] This policy produced a gain from Dec. 31, 1941 to Dec. 31, 1951 of 370% as compared to an increase of about 143% in the Dow-Jones Industrial average.[15] These trusts are mentioned to show that the investor who is interested in growth stocks may do the selection himself or leave the task to the management of some investment trust.

Finally, a very important word of caution should be advanced to those who would buy growth stocks, either directly or through investment trusts. Because of the current popularity of growth stocks many are over-valued. Price can never be disregarded. If you pay 20 or 30 times earnings in anticipation of growth, you are mortgaging the future for many years to come. For example, Dow Chemical common stock at its current price of $41 is selling at almost 25 times estimated 1952 earnings. Dividends of 80 cents per share were paid during 1952—a pay-out of under 50%. Let us assume that we expect the trend of growth in earnings to be at an annual rate of 5%—certainly above average—and that the pay-out will be at a rate of 60% of earnings. Furthermore, to be on the safe side, we count on eventually being able to sell the stock at about 16⅔ times earnings. Under these assumptions, a period of over 14 years will be required for you to receive the equivalent of an annual return of 5% on the money you would now invest in Dow Chemical. If you anticipate a pay-out of 40%, a period of over 20 years will be required before you will realize a total return equivalent to 5%.[16] These are sober facts to take into account before buying any growth stock, particularly at this time.

Summary

Let us briefly summarize the important considerations in the selection of growth stocks.

(1) The objective is to purchase stocks which will increase in price more than average over a period of at least two business cycles.

(2) Of the two approaches, the selection of a growth industry and then of leading companies within that industry is probably the more difficult for the average investor and involves more risk than the average small investor should assume. Few of us are gifted with suffiicent foresight to recognize a growth industry. Many industries which have a record of growth may have already realized most of their growth potential. Selection of individual companies in the early stages of growth poses great hazards because many will fail and only a few succeed. Furthermore, since industry growth is sometimes achieved by the entry of new firms rather than by rapid growth of existing firms, a growth industry may not provide the investor with extremely profitable growth stocks.

(3) The alternative approach is the selection of growth companies whose aggressive management has demonstrated its ability to develop growth situations. This policy seems particularly reasonable in view of the increasingly complex nature of our industrial processes, machines, and end products.

(4) Because of the excessive popularity of growth stocks at the present time, the investor should weigh the price asked against the potential appreciation with extreme care. By paying 20 or 30 times earnings the investor may be forced to wait 15 to 20 years before realizing a total return no higher than he could obtain by buying less spectacular stocks involving less risk. Today it may be better to wait before buying a growth stock until it is more reasonably priced.

13 T. Rowe Price Growth Stock Fund, Inc., *Prospectus*, April 2, 1952, p. 2. Italics mine.

14 Pioneer Fund, Inc., *Prospectus*, March 31, 1952, p. 7.

15 Pioneer Fund, Inc., *The Pioneer Story*, p. 5.

16 Samuel E. Guild, *Stock Growth and Discount Tables* (Boston, Financial Publishing Company, 1931), pp. 66-68, 107, 108.

Alfred Fisher

Alfred Risher, partner in Wade Bros. & Co., passed away on Feb. 7.

The Canadian Economic Scene

By W. T. G. HACKETT*
Assistant General Manager
Bank of Montreal, Montreal, Canada

Canadian banker explains forces leading to Canada's remarkable economic progress during last two decades, and stresses particularly the impact of new capital investment, most of which was supplied from within Canada itself. Says there is a drama of discovery and development of new resources. Holds spectacular strength of Canadian dollar is not due to mounting capital inflow, but rather to improvement in balance-of-payments situation. Denies there is a widespread "boom psychology" in Canada.

It is difficult to avoid superlatives in telling the story of Canada's progress in recent years for the very good reason that the facts happen to be superlatively impressive. To sketch in the background for you I must use a few statistics, but I'll try to use them frugally.

W. T. G. Hackett

The first factual point I must make is that since 1939 Canada's annual production of goods and services has almost exactly doubled — in real terms; that is, eliminating the effect of price changes. As in your own case, there was a marked and readily understandable expansion of output in the war years themselves—so much so that "What will we do with all this capacity when the war is over?" was, by 1944, a frequent question. But the growth trend has continued, and in the past seven years Canada's annual gross national product has risen, in real terms, by 21% as against a comparable increase of 13% in your country. I might add that we avoided the moderate recession which you experienced in 1949. In that year, U. S. industrial production declined about 8% while ours rose about 1½%.

Underlying this broad advance has been a number of strong forces of demand. Our own consumer market has expanded, with an increase in population of more than 25% since 1939 with virtually full employment and with income well-distributed. As in your own country, the domestic economy has, since mid-1950, had the stimulus of mounting rearmament requirement. Export trade has been buoyant throughout the entire postwar period.

But the most significant dynamic element in the Canadian situation has been the impact of new capital investment—expenditures on new plant, machinery, equipment, public works, utilities, housing and institutional facilities. Both absolutely and relatively these capital outlays have risen steadily since 1945. In that year capital expenditures were equivalent to about 11% of Canada's gross national product. Last year the corresponding relationship was almost 23% of a greatly enlarged gross national product. That "23%" is a thought-provoking figure. For what it means is that nearly one-quarter of Canada's present annual production is being ploughed back into the creation of capital assets which in one way or another will go to increase **future** production. And incidentally, this rate of creation of capital assets is probably the highest in the free world today.

When I was preparing these remarks I thought I might tell you just a little about some of the major developmental projects now under way. But I soon found that to do so would take me far beyond my time limit. There are too many of them. Let me just say, therefore, that the additions to productive capacity have been on a very broad and diversified front. Our steel industry has enlarged its production by 140% since 1939. In both steel and base metals processing has been carried further into the fabricating stage. Our chemical industry has become more diversified and has increased its over-all volume by about 80%. Motor vehicle production has tripled since 1939; production of pulp and paper has doubled.

Then there is the drama of discovery and development of new resources—on which I must resist the temptation to dwell. Time permits me only to mention the vast deposits of iron ore and titanium in Quebec and Labrador, new nickel-copper and uranium finds in Northern Manitoba and Saskatchewan.

Prairie oil is a story in itself. Back in 1946 our proven oil reserves were about 65 million barrels. Today they are about two billion barrels, with conservative estimates of probable resources starting at five billion barrels and going up from there. In the same period output of prairie oil has risen eightfold and when transport facilities become further expanded production from present wells will be much greater. Even now, however, Canadian oil is supplying nearly 40% of Canadian needs as compared with 9% in 1946. Self-sufficiency in the sense of a balance between exports and imports of oil is seen as a practical possibility in about five years.

Out on the Pacific Coast, in British Columbia, where things usually get done on a big scale, is a project already half completed which involves changing the flow of a chain of small lakes, building a dam to control the 350-square-mile reservior so formed, discharging the flow from this reservoir through a 10-mile tunnel through solid rock running down to turbines 2,600 feet below the reservoir level—a drop 16 times that of Niagara Falls. The result will be new hydro-electric capacity of a million horse-power, which could be enlarged to 1.6 million horse-power, and through the use of this energy the ultimate doubling of Canada's present capacity for the production of aluminum.

So much for a very brief and sketchy mention of some highlights of a great and widespread program of capital expansion. Incidentally, one of the consequences of this wave of industrialization has been a rather dramatic shift in the balance of employment as between factory and farm. In 1939, for every Canadian working in industry there was another engaged in agriculture. Since then, agricultural employment has decreased by about one-quarter (although farm output has actually risen) while the industrial working force has increased by about two-thirds. Thus workers in industry now outnumber the farmer by about two to one.

A question which I am sure must be in your minds at this stage is: "To what extent has Canada's capital expansion been dependent on funds from beyond her own borders?" The answer, you may find a little surprising, for it is that by far the major part of Canada's recent development has been financed by Canadians themselves. Let me put that point more precisely. In the three years ended 1951, net capital inflow to Canada (the bulk of which came from the United States) was equal to only 14% of all money spent in Canada for capital purposes. Moreover, at the end of 1951 the proportion of Canadian industry controlled outside of Canada was somewhat smaller than in 1939. Similar estimates for 1952 are not yet available but, from what we already know of capital movement during the year, the relative role of outside funds was even smaller than in the three preceding years. The facts I have just quoted refer, of course, to the over-all picture. In specific industries outside capital has played a much more important part, particularly in the development of oil and iron ore.

At the risk of getting too deeply into detail there are one or two other aspects of this matter of capital movement which may interest you. Actually, and contrary to popular impression, the net capital inflow into Canada has diminished substantially in the past two years. In 1950 the net movement of capital funds into Canada was in excess of a billion dollars. In 1951 the net inflow was $563 million, while in 1952 the comparable net movement was probably of very small proportions indeed. Yet throughout the whole period new capital for direct investment in branch plants and subsidiaries has been entering Canada in steadily increasing volume. Another form of long-term capital inflow—the sale of new issues of Canadian provinces and municipalities in the New York market has also been on the increase. What then has caused the decline in the over-all figures? The answer is that in 1950 there was a heavy influx into Canada of funds of a semi-speculative or purely speculative nature, based on the assumption—which later proved correct—that the Canadian dollar was undervalued. In 1951 the movement of such funds dwindled to negligible proportions, while last year there was probably a net outflow of short-term money of this type. There has in all probability been also an increase in Canadian investment abroad. In summary, while the amount of money coming from abroad has diminished in total, the amount coming for long-term productive purposes has not, with the result that the **quality** of the capital inflow has greatly improved.

It follows, from what has just been said, that the rather spectacular strength of the Canadian dollar during the past 12 or 15 months has not, as is often supposed, been due to mounting capital movements. Indeed if capital were the only operative influence the Canadian dollar might have weakened rather than strengthened. The fundamental element strengthening Canada's external positon in 1952 was a rather dramatic improvement in the balance of payments on current account. In 1951 our exports of goods and services fell short of paying for corresponding imports by $525 million, the deficiency being a little more than made good by inward capital movement. In 1952, exports rose considerably and the trading deficit was eliminated. I might perhaps add that Canada has a pretty comfortable exchange reserve of gold and U. S. dollars, amounting, at latest report, to $1,860 million—a sum which, by the way, is only a few dollars smaller than the gold and dollar reserve of the entire sterling area.

Canada's experience, during the wartime and early postwar years, with exchange control and a governmentally-determined exchange rate, is too long and too complex a story to go into here. I shall only suggest that the lessons of Canada's experience in this regard illustrate the extreme difficulty of fixing an exchange rate which will for very long remain an accurate reflection of underlying forces. An overvalued fixed rate brings loss of exchange reserves and intensifies the dependence on controls. An undervalued fixed rate can lead to an embarrassingly rapid inflow of short-term speculative capital. It was, as I have already inferred, this last-mentioned condition which influenced the government's decision in September, 1950, to abandon the fixed exchange rate and to let the rate go free to be determined by market forces. Within 15 months of freeing the rate the government took the final step of abandoning exchange control. In other words, being no longer under the necessity of maintaining a **fixed** rate, it quickly became possible to reply on the **fluctuations** of the rate as a force tending to stabilize capital movement and trade trends.

It is, I think, of some significance that throughout the postwar period the debt of the Canadian Federal Government has been steadily reduced by an unbroken succession of governmental cash surpluses. In consequence, since the end of 1945, this debt has declined $2¼ billion, or by over 12%. In relation to gross national product, Canada's Federal Government debt represents a smaller burden today than it did in 1938.

Now in one sense it may be argued that this financial accomplishment has been of direct assistance to the concurrent program of private capital investment. With the amount of governmental debt in the hands of investors steadily being reduced, the capacity of the market to finance mounting private capital requirements without undue inflationary strain has been improved. On the other hand, the result has by no means been clear gain. For the taxation necessary to produce the government surpluses has directly, or indirectly, through wage pressures been a force tending to raise costs, while government officials themselves have recently been questioning the economic wisdom of a corporate tax rate which takes more than half of the revenue dollar. Thus with the federal debt now down to easily manageable proportions in relation to national income, one would not expect to see quite so much emphasis on government debt reduction. To pay as we go—but not more than is necessary to break even—would, I think, be regarded as quite enough in respect of a budget of $4.4 billion for a country of less than 15 million people—half of this budget being for defense and foreign aid.

Well, gentlemen, so much for a very sketchy treatment of some of the significant facts of the Canadian situation. In the time, remaining, I'd like to move from the factual to the contemplative —to what one might term the musings of a Canadian on his country's economic outlook.

Something that impresses many outside observers of the Canadian scene is that while we are able to display the statistics of a boom, there is remarkably little boom psychology around. Nowhere is one apt to meet with the facile assumption that Canada is recession-proof. But by the same token there is on the part of the business community a great deal of sober long-range confidence of the kind that shows up in the very practical form of willingness to invest large sums of money in long-term projects.

Perhaps the greatest single factor accounting for the characteristically cautious view of the near-term outlook in the realization of Canada's extreme dependence on foreign trade. We are massive exporters in Canada, merchandise exports alone amounting to about one-fifth of our gross product. We are also prodigious importers, and our exports of goods and services are usually not greatly in excess of the amount necessary to pay for our imports of goods and services. In some years, indeed, exports are insufficient and the account is balanced by capital movement or out of exchange reserves. And against that background it is surely significant that Canada's great expansion has as yet done relatively little to render her less dependent on export markets. It is true that some of our new resources are already starting to displace imported sources of supply—oil is a notable example. But in respect of such key products as base metals, lumber, pulp and paper, wheat and other agricultural commodities we shall still need large-scale export outlets.

It is here that the Canadian situation has elements of vulnerability on two counts. In the first place, nearly 55% of our merchandise exports come right here to the United States of America. Business fluctuations and trade policies in your country can therefore directly affect Canadian conditions. You are our best customer. We are also yours. But to leave the statement there would give an entirely false idea of balance. For your purchases of goods and services from us in 1952 probably amounted to about $15 per head of your population. Concurrently, our purchases from you, similarly calculated, amounted to $206 per head of our population. Moreover, leaving the per capita relationship entirely out of the picture, our current account trade balance with the United States last year was probably in deficit by an amount close to the $955 million which was the size of the current deficit in 1951. In short, for two years now, we have been spending in your country on current account nearly a billion dollars a year more than you have been spending in ours.

To balance our account with you we are therefore dependent on the credit balances arising out of our sales to third countries, most of which are in the soft currency category. This brings me to the second and related element of vulnerability in our trade outlook—the fact that we are selling to overseas countries substantially more than we are buying from them. Our ability to go on selling to these countries in the volume of recent years will depend in large measure on their ability to earn hard currency elsewhere. Latterly, the fact that Canada has been a major source of available supply for essential raw materials has tended to maintain Canadian overseas exports. Indeed, the increase in Canada's exports in 1952 was almost entirely concentrated in shipments to countries other than the U. S. A. But under somewhat less urgent conditions and with soft currency countries making a concerted effort to balance their own position by selling more and buying less, the outlook for Canadian overseas exports could become a good deal more obscure.

These elements of great dependence on external forces be-

*An address by Mr. Hackett before the Treasury Division of the Association of American Railroads, Philadelphia, Pa., February 17, 1953.

yond our control are always present in the Canadian situation. Sometimes they recede into the background; at other times they constitute major and pressing problems. But their existence, inherent in Canada's peculiar trade relationship as a heavy net buyer from the United States and a heavy net seller to dollar-short nations, must always be recognized. They are, as it were, the contingent liability item which must continually be appraised in weighing up Canadian prospects.

The problem of maintaining overseas exports has been met in different ways as circumstances have changed. During the war years, outright gifts and special forms of aid were employed. In the early postwar years we undertook what was for us a very heavy program of governmental credits to the United Kingdom and other Allied Nations. We soon got ourselves into the position in which rising purchases for cash, predominantly from the United States, coupled with substantial overseas sales for credit seriously depleted our hard currency reserves. We had over-extended ourselves in foreign aid. After 1947, however, offshore purchases under ERP by European countries, and other forms of U. S. aid to overseas countries, had a sustaining effect on the level of Canadian shipments abroad.

It is quite clear, therefore, that the outlook for Canadian trade at any one time is heavily influenced by the changing aspects of the "international dollar problem" and the measure adopted to meet it. This is a complex situation and is not going to be resolved overnight. Nor would I suggest for one moment that the solution of the difficulties involved lies wholly in the hands of the creditor nations. But, in any event, no country has a greater interest in a solution than has Canada, which is a very good reason why Canada is always an active participant in measures and discussions designed to liberalize trade and why we try to match profession with performance.

I suggest to you, however, that the vast expansion of productive facilities now going on in Canada is the tangible expression on the part of hard-headed businessmen in our country, and also in yours, of the belief that enlightened common sense founded on mutual advantage must determine the trade policies of the free world.

It seems to us, for example, that the possibilities of economic growth in the United States itself are still very great. The old depression-born dismal concept of "the mature U. S. economy" does not seem to square with the realities of the present day. In that connection we are keenly interested in the warning conveyed in your "Paley Report" that your own reserves of strategic raw materials are already, in many respects, inadequate to meet the foreseeable demands of the future. A gradually increasing import potential in the United States will be a plus factor for Canada, not only in respect of sales directly to your growing market, but also insofar as your purchases in other countries increase the ability of such countries to buy from us.

Taking a still broader look at the forces at work in the world today, we are not, in Canada, too worried about the possibility of a sharp and prolonged recession once the requirements of rearmament begin to taper off. For, apart from the question, how much tapering will be possible in the immediate future, the peace for which the free nations are striving will not, I suggest, be a return to some halcyon "status quo ante." Behind the headlines of conflict, near conflict and unrest, there is the challenging fact of vast populations stirred into an awareness of, and a desire for, something a little closer to the living standards enjoyed in these more fortunate quarters of the globe. The struggle for peace, and to maintain peace, will, I suggest, mean an extension of demands on the resources of this continent for many years to come. The extent to which we in North America meet these demands the hard way, or on the basis of interchange of goods and services, will depend, in some measure at least, on the realism and imagination that go into the trade policies of the years immediately ahead.

Now if that is anything like an accurate appraisal of the shape of things to come, I doubt if we on this continent will need to worry about a dearth of outlets for enterprise. And against that background the Canadian situation—which is not free from difficulties of proof against recessions — nevertheless reflects a combination of growth factors that is, I think, unique in an uneasy world.

For in Canada we still have the developing frontier. We are finding that our resources are greater than we had dreamed and the end of that story is not yet. The possession of resources is, of course, not in itself unique. Other countries have them too. But in Canada one finds these resources in a country with an already developed industry and agriculture. And there are still other elements which go to strengthen the growth potential. We have the political, financial and commercial institutions of maturity. We have a social philosophy which places a high value on economic freedom. Being a small country in point of population, government can never be remote from the public. Businessmen and government officials can and do know and respect each other. It is not difficult for them to get together around a table to resolve difficulties and to formulate policies. We know something of the problems and attitudes of the Old World. At the same time we number our advantages the presence of a great and friendly neighbor to the south and our affection is not lessened by the fact that you are the world's greatest consuming market.

It is the combination of all these factors which, to my mind, constitutes the unique element in the Canadian situation. Some of these influences are intangible, but along with the hard facts of forests, mines, oil wells, factories, farms, capital and know-how, they do provide, I suggest, a basis for reasoned confidence in Canadian progress.

Joins John S. Green Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Gerald P. Dooley is now affiliated with John S. Green & Co., Fidelity Building. He was formerly with Bache & Co.

With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Horace M. Bear has been added to the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Trust Business Needs A Sound Economy!

By ROBERT A. WILSON*
President, Trust Division, American Bankers Association
Vice-President, The Pennsylvania Company for Banking and Trusts, Philadelphia, Pa.

Linking progress of trust business to reform in taxation, restoration of sound money and right of individual to accumulate property and pass it on to others, Mr. Wilson, in telling of problems of new Administration to effect reforms, urges bankers and trust officers to take active part in getting support of public to these moves. Says it is a duty to help end the "tax-and-spend policy," and restore nation to a sound economy.

The continuance and future growth of the trust business in the United States depends primarily on three factors; namely, the curtailment of excessive taxation on earnings and accumulated savings, the establishment of a sound economy with restoration of sound money, and the right of the individual to accumulate property and to pass it on to others.

Robert A. Wilson

Prior to the recent Presidential campaign, a large segment of our people had been worried and apprehensive as to the future of this nation, and rightfully so. Millions of our citizens had become subject to punitive taxes during the twenty years of the New Deal and the Fair Deal. Approximately 50 million United States Government bondholders had seen their bonds greatly depreciate in spendable value; more than 83 million life insurance policy holders and 67 million savings depositors were equally concerned over the shrinkage in their investment, so far as the purchasing power of the dollar was concerned; and millions who were conservative in their economic and social thinking had concluded that we were so far along on the road to a welfare state that there was little hope of turning back. They feared that eventually the free enterprise system which had made America so great was doomed to extinction.

The vast sums resulting from the tremendous increase in all forms of taxation were not always being used for meeting just and proper expenses of operating the government and other worthwhile projects but were being expended in far too great a measure for social experimentation, purposely introduced to bring about a redistribution of wealth. One need only read the Oct. 18, 1952, issue of "Business Week" dealing with this objective to see the extent to which this program has succeeded.

Today we have a new Administration in power in Washington, and a large number of our people are hopeful that our new representatives in the executive and legislative branches of the government will work toward the establishment of a sound economy. Such promises were made by our new President in numerous campaign speeches; and if he is supported by the people through their elected representatives in the Congress, there is hope that the march down the road toward the welfare state, and the reckless spending of public funds, confiscatory taxes, and an endless succession of unbalanced budgets will be checked.

Warning on Campaign Promises

However, campaign promises in themselves are only the beginning, as we learned just twenty-years ago when another candidate for the presidency was campaigning. It may be helpful to review for a moment the following words which were spoken by the then Governor Franklin D. Roosevelt in his famous speech delivered in Pittsburgh, Pennsylvania, on Oct. 19, 1932:

"If the nation is living within its income, its credit is good. If in some crisis it lives beyond its income for a year or two, it can usually borrow temporarily on reasonable terms; but if, like a spendthrift, it throws discretion to the winds, is willing to make no sacrifices at all in spending, extends its taxes to the limit of the people's power to pay, and continues to pile up deficits, it is on the road to bankruptcy."

If I had said at the outset that I was quoting from a speech made by either candidate last fall, there would have been no occasion for surprise; but how contradictory these words seem today when we realize that they were spoken by the man who soon thereafter was to assume a large measure of responsibility for the very policies which he said would lead to national bankruptcy.

I am convinced that President Roosevelt was able to depart from the thinking expressed in the Pittsburgh speech only because the majority of the people in the United States were willing that he should do so.

If we need proof of the weight of public opinion, we need only go back to 1937 when the New Deal in just a few years had received powers never before believed attainable. The party was still in control of Congress; and the President, in an unprecedented reach for further power, attempted to pack the Supreme Court. The people, aroused by newspapers, radio, and public addresses, soon realized that their freedom was threatened; and on July 22, 1937, the Senate defeated the court packing plan. However, the President still underestimated the power of the public and soon thereafter attempted the celebrated "purge" in which he tried unsuccessfully to bring about the defeat of certain key Senators of his own party who had the courage to oppose him because they placed country before party.

Unfortunately, during most of the past twenty years, the majority of the people were willing to relinquish control over spending and taxing; and this, in turn, meant that the Congress, too, was rendered ineffective in controlling a spendthrift Administration. The order of the day was tax, spend, and elect; and how well this program succeeded is demonstrated by the fact that since 1939 Federal expenditures have exceeded $650 billion, including war expenditures, and the total tax collections today equal one-third of the national income, but the people still have not been shown convincingly that no nation can long endure under such a crushing tax burden.

Reckless spending during the past two decades met little opposition, since it was widely believed that the government could underwrite the costs of a welfare state by taking only from those who have an abundance of this world's goods. The experience of other countries, of course, shows that under such a program the well-to-do soon disappear and the lower income groups carry the load.

Members of the Socialist Party in England eventually found that their dream of getting something for nothing was false, and only then was it possible to check further nationalization of industry. Today the economic climate in Britain is showing steady improvement.

It is indeed tragic that the American people, and particularly those who grew up under the New Deal, do not konw the cost to them of the seeming prosperity they have enjoyed. You and I know that if we spend all the money we have and, in addition, much more which we do not have, we create an atmosphere of prosperity, but not forever, or for long. The average American wage earner has been cruelly deceived. If, for example, his net income approximates $4,500 annually and he has two children, he presently pays a direct income tax of about $350; but studies of the Tax Foundation, a research organization, indicate that after paying indirect taxes, his actual tax bill will be closer to $1,200. The true tax bill is unknown to him, since he believes that the bulk of taxes are being paid by wealthy individuals and the large corporations.

A Duty to Oppose Tax-and-Spend Policy

It seems to me that both as intelligent citizens and trustmen we have a duty to raise our voices to guide public opinion against the continuation of this tax-and-spend philosophy. First, as citizens we must fight for the right we have always had to earn, save, and finally bequeath our savings reasonably intact to our children and grandchildren. Next, as trustmen we have a responsibility to our present beneficiaries to strive for an economic program which will produce a sound and stable dollar and permit future beneficiaries to enjoy the fruits of their inheritance. Finally, from a selfish viewpoint, the future of the trust business will indeed be a gloomy one if reckless taxation removes the ability to save and at death confiscates most of what has been saved or acquired.

Taxes Approaching Diminishing Returns

We know that present annual tax rates at the national and state level are nearing the point where only diminishing returns can result. Few people realize that the United States Government derives 84% of its revenue from direct taxes, such as income, estate, and gift taxes. No other central government in the world draws so heavily on direct taxes. Britain, for example, obtains 56%, Canada 55%, and France 25% from direct taxes. We must prevent further attempts to turn to inherited property for raising more tax income for spending purposes. I read with interest the statements of the United States Treasury representative before the last Committee on Ways and Mans of the House of Representatives. I quote as follows: "The President has recommended that a substantial part of the additional revenue be obtained by revising and strengthening the estate and gift taxes in a manner which would bring these taxes nearer to their proper long-term place in our system."

I must confess that I do not know just what is meant by a "proper long-term place" except that we may conclude that it means further strangulation of the privilege of inheritance, which produces a most disconsolate feeling when we think of our beneficiaries, present and future, as well as the fact that we in the trust business have dedicated our efforts to the preservation of family wealth, whether it be large or small in amount.

The Treasury representative quoted above deplored the fact that since 1939 the total yield from estate and gift taxes had barely doubled, while the revenue produced by the individual income tax was eighteen times as great. He also offered in exhibit the following statement of President Truman: "To the extent that these taxes remain too low, the remainder of our tax structure must bear a disproportionate load."

It is interesting to note at this point that United States Treasury figures show that estates are definitely decreasing in size. The report of the United States Treasury Department dealing with Federal Estate Taxes also shows that in the year 1930 there were 10,382 returns filed which totaled $4,165,000,000, while in 1948 there were 24,381 returns filed having a value of $4,791,000,000, which means that the average size of the estates reported had decreased roughly from $400,100 to $196,000.

It would now be worthwhile to look at the Federal estate tax record. It was first enacted in 1916 with the highest bracket subject to a 10% rate. One year later the 10% rate was increased to 15%. When the New Deal came into power in 1932, the rate was increased to 45%, then to 60% in 1934, 70% in 1935, and finally to the present 77% in 1940.

If the total value of all estates upon which Federal estate tax was paid in 1948 was divided among the population, there would have been less than $30 for each man, woman, and child. The benefit which each person would derive from such a small sum as $30 would be infinitesimal compared to the irreparable damage which would be done by the destruction of individual initiative to earn and save. It is difficult to conceive of any one who does not desire to leave an estate to his beloved dependents.

President Roosevelt was right in 1932 when he said that if, like a spendthrift, the nation throws discretion to the winds, is unwilling to make sacrifices in spending, extends its taxes to the limit of the people's power to pay, and continues to pile up deficits, it is on the road to bankruptcy. The problem is to convince the people of the wisdom of these words.

The hard-fought campaign of 1952 has passed into history, and the new Administration has now taken office. A large part of our society registered a protest vote for one reason or another, but that in itself is only the first hope that the old order will change and give way to a new and sounder one.

Nation's Problems Still With Us

The issues of the recent campaign must remain uppermost in our minds, and we must not make the fatal mistake of becoming too immersed in our own immediate affairs. We must remember that the problems of the nation are still with us and the recent election has solved none of them. It will be natural to assume that a change in our economic, social, and political affairs can be achieved with ease by the new President. There is reason for confidence that progress will be made, but it will not be easy. The exact mandate of a majority of the voters last fall still remains to be determined.

To quote Colonel Robert McCormick, in the Chicago "Tribune" of Nov. 6, 1952, "It is impossible to go into the minds of 60 million voters and learn why they voted as they did."

Soon after the election, letters poured in by the thousand to Mr. Eisenhower's headquarters at Augusta, Georgia. From these it appeared that not taxes, nor reckless spending, but the Korean War was the paramount issue. True, some did mention waste and taxes; but as one mother wrote, "The hopes of American mothers for peace rose when you were elected." This was only natural since the fate of many loved ones hangs in the balance, but of those voters who did protest the taxing and the spending, how many will cry aloud if Federal handouts are reduced?

President Eisenhower knows full well that a welfare state is in conflict with sound money, that sound money in turn cannot be had with continued inflation, and that inflation cannot be arrested unless the government stops spending more money than it actually has. But the moment he tries to stop some of the incessant spending, he is going to find that he is taking a habit-forming drug away from millions of people who have grown accustomed to it.

The bitterness of those opposed to Mr. Eisenhower's election may long remain, especially with certain groups. Wherever he turns, he will meet with resentment from those who after 20 years have come to feel that they have a vested interest in the United States Treasury. There will be many others who will join in the outcry the very minute he starts the needed reforms. It will not be easy to bring about a change, and this vital corrective action will be forthcoming only if he receives the determined support of the people.

To receive this support, the people must be informed; and we as bankers and trustmen are in a better position to explain economic issues to the people than any other group—first because we understand these issues, and next because we are close to the people. No business is more vitally concerned in the sound future economy of this great country of ours than the trust business, and as trustmen we must earnestly endeavor to protect the purchasing power of each dollar of income we pay our beneficiaries.

Obligations of Trustees and Bankers Have Broadened

Our obligations as trustees and bankers have broadened. We must not only be well informed ourselves, but we should accept the responsibility to see that the people are also kept informed. When Paul Revere made his famous ride to inform the Middlesex farmers, he had only the signal of a lantern and the strength of his horse; but think of the facilities at our command today.

Most voters are bank customers, so a contact has already been made. There are nearly 100 million bank accounts in the 18,000 banks and branches in the United States. Although there are many duplications of these accounts, the figure is still an imposing one, compared to the 23 million votes which elected President Truman in 1948 and the 34 million votes which President Eisenhower received last fall. The number of savings accounts alone exceeds either vote.

We know that 50% of all wage earners have savings accounts, and 40% have checking accounts. Also, about 90% of all accounts are under $5,000, so we already have an introduction to the so-called "average" American, whose influence can be so great at crucial periods.

Moreover, the geographic distribution of the renaissance potential is broad. About one-third of the commercial banks are in population centers of less than 1,000; more than one-half in centers of less than 25,000, and only one-quarter in cities of over 500,000.

Whenever bankers and trustmen have been united in thought, they have been vigorous in opposing unsound legislation: but, unfortunately, only a minority of our group has perfected the technique of grass roots cultivation. Usually the issues have not been carried and explained to the multitude well enough to give banking and trust leadership an effective base, although it has been influential.

During the past decade, banking and the trust business have

*An address by Mr. Wilson before the 34th Mid-Winter Trust Conference of the American Bankers Association, New York City, Feb. 9, 1953.

become increasingly popular; but too often we have been frustrated by a political pressure bloc presenting some unsound nostrum. Bankers and trustmen are natural economic leaders in the community, and the average voter can be encouraged to look to the bank for an impartial analysis of proposed economic legislation.

For example, I would like to see bankers and trustmen publicly declare that they will give much needed support to sound plans and methods for governmental reorganization. It has been estimated that one dollar in ten was being wasted and could be saved by better organization and management. This might well mean a saving of $6 or $7 billion annually, but the real source of loss lies deeper than that. There was, and is, a constant and terrible danger to the nation in an executive structure so cumbersome that policy decisions of life-or-death importance must be made in "hit-or-miss" fashion. There was, and is, no true economic stability as long as huge powerful Federal agencies work at cross-purposes. No one can estimate in millions or billions the losses which bad organization can cause, or the gains which good organization can produce, in terms of policy formation and execution alone.

Our new President faces a battery of 65 huge agencies, some of them bigger than United States Steel, which report directly to him, to say nothing of 1,800 lesser boards, bureaus, and agencies. This is the gigantic mass which remains to be unscrambled. It is so easy to overlook the fact that the expenses of the Department of Labor rose from $18 million in 1940 to $257 million in 1950, or that the expenses of the Commerce Department rose from $75 million in 1940 to $863 million in 1950. Do you recall that the Government spent $500,000 in court costs in an effort to dismiss a single employee, who, after four years of litigation, was back on the job as recently as a month ago? We also know that Congressional investigators found one small agency unit which had 24 supervisors for 25 employees.

The Reduced Budget Problem

During the past few years, certain Senators and Congressmen have earnestly endeavored to reduce the national budget. Senator Byrd and his Joint Committee on Reduction of Non-essential Federal Expenditures have been outstanding in their efforts to reduce expenditures. Nearly 300 of the nation's foremost specialists in various fields assisted one commission appointed by the Congress to report on the organization and management of the Federal Government. This particular report told a startling story of duplication, overlapping, inefficiency, confusion, and waste.

It is most comforting to know that Government reorganization is now being studied by a special committee appointed last December by the newly elected President. Also, it was heartening to hear the early declarations of Budget Director Dodge that the new Administration is determined to achieve a balanced budget. However, we must remember that no President can give us good government or a sound economy without the constant support of fine citizens everywhere.

Many people were disturbed less than two weeks ago when the Senate and House Committees on Government Operations approved bills which might have made it impossible for the President to follow through on his campaign promises to make government more economical and efficient. Fortunately, a few days later, the House disregarded its own Committee and passed the bill requested by the new Administration.

The orders recently issued by Budget Director Dodge against Federal spending are indeed stimulating. We all realize that this is just a small start toward the goal, but at least it is a start after twenty years of spending and more spending. The success of these and future economy moves will depend greatly upon personal sacrifice by those citizens who have come to lean too heavily on their government, as well as a firm resolution by Congressmen to vote against all nonessential pet projects in their own districts.

Mr. Eisenhower's record as President is still to be written. I do not know whether he will go down in history as one of our truly great Presidents, but I am sure he will if the American people unite and support him in his determination to bring about a sound economy through the elimination of waste, inefficiency, duplication, and corruption. He has made a fine start by enlisting the services of able and honest men to fill leading roles in government, but the people must firmly resolve that their representatives in Washington will give these men their unending support.

In conclusion, I would like to quote from three paragraphs of a brilliant address by Dr. W. Randolph Burgess before the American Philosophical Society a little over one year ago:

"(1) A scheme of life that gradually depreciates the savings of the prudent and thrifty will undermine the moral values of our democracy; and, in the last analysis, democracy is fully as much a moral attribute of a people as a physical one.

"(2) If the money accounts of the nation are soundly in order, it is the best assurance that the nation itself is sound.

"(3) In the long run, the operation of a democracy will depend on the education, understanding, and self-discipline of the people in specific relation to government and the inculcation of sound traditions."

These are not platitudes but poignant truths which must be woven into the economic fabric of this nation.

It is our new job to see that they are.

Growing Institutional Holdings of Equities

By G. KEITH FUNSTON*

President, New York Stock Exchange

NYSE executive calls attention to increasing interest of institutional investors in common and preferred stocks, and reveals data on holdings of various groups of institutions. Points out mutual responsibilities to each other of New York Stock Exchange and trustees, in exercising their respective functions.

It's no secret that institutional investors have substantial holdings of common and preferred stocks. The value of such holdings, as you know, has risen sharply as market prices have advanced.

G. Keith Funston

Recently I was given some figures showing the dollar growth of equity holdings by institutional investors in recent years. To tell the truth I was startled. I knew, of course, that such holdings had increased but the amount of the increase and the size of your holdings today was really an eye-opener.

Let's first look at the postwar growth of private pension funds. In 1946 the common and preferred stock holdings of all private trusteed pension funds amounted to about $475 million. That estimated total excludes pension plans administered by life insurance companies but does include those administered by banks, companies and private trustees. By the end of 1950, four years later, the total had doubled. At the end of last year, the total had jumped to nearly $1.5 billion.

Major college and university endowment funds are also important owners of equities. In 1946 around $800 million of common and preferred stocks were owned by educational endowments. Five years later, the dollar value had just about doubled to $1.5 billion. Much of this was due to price increases, but much was due also to increasing recognition of the income attractions of well-selected common stocks.

But when I got to the equity holdings—common and preferred—of bank-administered personal trusts, the figures read like a chapter from the Federal budget. In 1939 the stock holdings of such trusts amounted to less than $13 billion. By the end of 1949, however, these equity holdings were valued at about $20 billion. By the end of last year, I'm informed that the dollar total of personal trust holdings had expanded to around $25 billion.

How much of this tremendous increase is due to an appreciation in market value, and how much is due to new investment, are questions which are almost impossible to answer with any degree of accuracy. I think I'm on safe ground, though, if I tell you that trustees are not unaware of the investment potentialities of equities.

The total of all these equity holdings plus $9.4 billion of equities owned by life insurance and other insurance companies, and open and closed-end trusts is currently around $37 billion. The bulk of all these holdings, of course, are listed on the New York Stock Exchange.

It seems to me that you gentlemen and others who administer trusts have a lot more in common with the Stock Exchange than is evident at first glance. I have in mind, of course, the vast responsibility which is yours to manage so huge a portion of the nation's wealth.

I feel that the Stock Exchange has a responsibility of equal weight—to provide you, as well as the millions of other people who own shares of industry, with a fair, efficient, public market place.

And then, too, there is a tremendous responsibility we share together—the responsibility of promoting with all our strength the exercise of the prerogatives of ownership by individual share owners. We can hope for a true democratic capitalism only when each and every share owner keeps closely informed about the affairs of his company and votes his proxy regularly. It is for this reason that the Exchange in its listing agreements insists upon full disclosure, proxies and quarterly statements. It is for this reason that I know you are making such efforts to insure that all your beneficial owners receive the annual statements and proxies sent out by the companies whose shares they own.

*Remarks of Mr. Funston at the 34th Mid-Winter Trust Conference of the American Bankers Association, New York City, February 9, 1953.

Associates Investment Notes Sold Privately

Robert L. Oare, Chairman of the Board of Associates Investment Co., announces the sale of $10,000,000 of 3½% promissory notes due Feb. 1, 1967 to a group of insurance companies, pension fund trusts and other institutional investors. The issue was placed privately by Salomon Bros. & Hutzler.

The proceeds of the loan will be used to retire short-term borrowings.

Funded debt of the large automobile finance company now totals $112,505,000.

No. Trust Appoints in N. Y.

Northern Trust Company of Chicago announced the appointment of William Ferguson, John P. Byram and John F. Place as Assistant Managers of the bond department in the bank's New York Office, 15 Broad Street.

Continued from page 3

Business Prospects With Decreased Defense Spending

government purchases and of investment in plant and equipment by business (other than farm investment), which now amounts to more than $100 billion, will, on the basis of present programs, be at least as high in 1954 as in 1953. This large and dynamic portion of the market thus provides an important element of strength in the outlook for 1954.

Doubts Regarding Defense Spending

The consideration that business aggressiveness may be tempered by a falling off in the placement of new defense orders and by fears of future trouble when actual spending slackens, the likelihood of a reduction in defense-supporting inventories, and the prospect that there may be some weakening in residential construction, and possibly in some of the consumers' durables, furnish present grounds for doubt about this period. These would be much reinforced if 1954 should happen to be on the downward phase of the civilian-inventory cycle.

While we regard a downturn in 1954 as a real possibility, it appeared to us that the case for it seems not greatly stronger than that which can usually be made this far in advance of any date.

The decline in defense spending projected in 1955, under the expenditure pattern assumed, would provide a serious test of the strength of the economy. Particularly is this so since the reduction would be almost entirely in government purchases from the durable goods and construction industries, which may also be experiencing slackening demand in the private investment field unless that adjustment is completed earlier. Thus, 1955 appears to be a year in which it will be of major importance to expand private markets sizably to maintain a high level of business activity.

Tax Reductions to Accompany Defense Spending Drop

The principal offsetting forces to falling security expenditures that can now be foreseen are the stimulus to private spending provided by a lowering of Federal tax rates concurrently with the drop in defense outlays, and a rise in civilian government purchases, chiefly by State and local governments. These are aside from steps which may be taken expressly for the purpose of preventing business recession.

We do not conclude in the report that there will or will not be a business downturn during the period ahead. This will depend on developments yet to unfold. We do not, however, in any way discount the possibility of a downturn. On the contrary, it is our view that nothing has taken place which will automatically prevent the recurrence of the traditional downward spiral of sales, production, investment, and consumer and business income, or keep it from proceeding once it has been set off. There have, however, been important changes, which would to some extent brake a decline and give added time for positive action to check it.

One important point should be made clear. That is the probable size of the adjustment in national security outlays in comparison with the World War II period. Despite substantial progress to date in building up our military strength, and the fact that by far the greater part of the increase in the rate of defense spending is behind us, a major part of the total dollar outlay required to bring our defenses to the status planned still lies ahead.

Furthermore, once the military establishment as now planned is achieved, the continuing cost of maintaining it would be high. No figure can be placed on this, but in thinking in terms of business planning ahead, a total of probably $40 billion a year or more should be envisaged, unless the current international tension can be resolved in a manner which would permit a reduction in the size of the armed forces. It is not anticipated that the maintenance level of expenditures would be reached in 1955.

Thus, the present defense program, which implies that national security expenditures will drop gradually from a peak of 15 to 17% of our total output to perhaps 12%, and has no definable terminal date, has little in common with the situation after World War II.

The changes implied do not appear to us to be so large or abrupt as to make defense expenditures the overwhelmingly dominant factor in the market outlook for the next few years. Given this pattern, we concluded that fluctuations in business activity in the period immediately ahead will depend primarily upon the development of private markets. The long-term and cyclical influences which in ordinary periods govern the strength of the national market and the volume of output will in large degree resume their determining role.

Heavy Defense Spending to Continue

Further, the impetus towards a business downturn which falling defense expenditures will exercise, if not offset by other developments in the economy, is still some time in the future, so that time is available for business to make plans to smooth the adjustment.

One of the most volatile elements of private demand, and one about which the greatest fears of impending weakness had been expressed, is business investment.

A major feature of the study was the result of two special surveys conducted to determine the trend of investment, which is of especial importance in the appraisal of the economic outlook over the next few years.

According to a survey of 2,000 firms accounting for three-fifths of all nonfarm investment, conducted by the Department's Office of Business Economics and the Securities and Exchange Commission, business plans capital investment in 1953 at a continued high rate. On the basis of the programs reported by businessmen, the estimated 1953 total expenditures for plant and equipment will exceed $26 billion and approximately match the high 1952 total.

A special field survey was also conducted by the Office of Business Economics of 84 of the largest companies accounting for 30% of this total investment. The 100% response which we received from business in this survey is just another evidence of the great interest which attaches to this barometer.

The results were encouraging and to many surprising. These large companies towards the end of 1952 projected capital outlays in 1954 and 1955 at 85% and 80%, respectively, of the 1952 volume. In view of the fact that these programs may not be complete, this is a relatively small drop for periods that far distant, and reveals that business still sees broad investment opportunities ahead. However, it must be cautioned that this favorable pattern is based on the assumption generally made by the companies themselves of continuing high general business activity. Any sharp reduction in general business would lead to a substantial contraction of such investment.

The growth possibilities of the American market are still enormous. The outstanding fact about our economy in the past is that it has grown persistently, even though the upward trend has been periodically interrupted by business declines. In the last 50 years total national output has increased at an average rate of 3% per year. This has been due to the development of our resources and markets, to the increase in the size and skills of our working force, to the great technological progress, and to the effectiveness of our business organization and management.

As part of our look at potential markets we reviewed what had been accomplished by management in developing new products and expanding uses for established products. We examined the growth of new and fast-growing products with results which I am sure you will find of major interest.

Products of this type provide benefits to both producers and consumers. They offer incentives for new entries in the business population. They benefit producers in that they provide supplements to old lines and create opportunities for expansion of markets. Under such stimulus, investment demand expands, thus contributing to the activity of many other industries; particularly the producers' durable goods.

Expansion of Industries and Products

To obtain some concrete indication of the nature and characteristics of the expansion of industries and products, the output of more than 160 industries or products was examined for the period after 1940. Study of the behavior of these production trends permitted us to make the following generalizations.

(1) Some industries, such as electric power, telephone service, and motor truck transportation, continue to be fast-growing over long periods and are only moderately affected by business fluctuations.

(2) Other industries show a substantial response to cyclical changes, but, after allowing for these changes, they continue to show a net upward growth. Examples of these industries are washing machines, electric ranges, aluminum, and paper.

(3) Other industries grow rapidly in the early stages after which the increase moderates and, in fact in some cases, the demand stabilizes, or may even decline. Examples are anthracite coal and lumber, where the trend has been downward over a long period.

(4) Many industpries are in the early stages of growth and can be expected to continue upward. Typical of these products are farm and home freezers, air-conditioning units and frozen foods.

Aside from the fast-growing industries — which we defined for purposes of our analysis as those which increased by more than 7½% per year from 1940 to 1951 —we had included in our list the moderately- or slowly-growing industries (those which had an average rate of increase up to 7½%) and those which actually declined during the period. But interest centered, of course, on the pace setters.

The fast-growing group comprises about two-fifths of the total items for which data were compiled. The value of the output of these items in 1951 was $40 billion, or four times the value in 1940. Among the list are many new items, which accounted for one-third of the total listed as fast-growing. They cover the entire range of durability—in the consumer and producer durable goods group, in the nondurable goods category, and the service groups.

For illustrative purposes, examples of the consumer hard goods which are fast-growing are television sets, freezers, clothes dryers, and air-conditioning units. Producers' durables are represented by industrial electric trucks and tractors; and synthetic rubber and man-made fibers illustrate the semi- and finished materials. Typical of the services are air transportation, but one should not overlook the importance of the repair and maintenance of the enlarged quantities of our durable consumer goods. Other services which are showing very rapid expansion are motor courts, cleaning and dyeing, and natural gas.

Eighteen of the fast-growing items are in the chemical group. Obviously there are many other fast-growing items in the chemical industries, but these are representative. Chemical production, as a whole, has grown at an average rate of 10% a year since 1929, and the rapid rate of expansion is still continuing.

Many others could be cited, but these illustrations are sufficient to make my point.

It should be emphasized that important as rapidly-developing markets are at any time, the fact is that the bulk of American industry cannot be classified in this category as we defined it. Production research and aggressive marketing contribute importantly in keeping other more stable industries in a vigorous and growing position.

The development and marketing of new products, as well as the constant improvement of existing products and the broadening of their use, requires large investment in new plant and equipment. In the field survey earlier mentioned, many companies indicated their intentions to add to their capacity in order to increase the production of newly-developed products. Obviously, such expansion would provide some offset to declines which may occur elsewhere in the economy.

All business concerns covered in our field survey could not break down their future investment in new products. But those that could gave us a very interesting picture.

Manufacturers giving this breakdown expect investment for new products to account for almost one-sixth of their total capital budgets in 1954 and 1955, and for over one-third of their total outlays for expansion. There is some tendency for these percentages to rise between 1952 and 1955.

But, important as this type of investment is, it would not sustain the volume of investment by itself. Hence, we asked business also about replacement and modernization programs. The answers were interesting and encouraging. Outlays for replacement and modernization programs are expected to increase slightly in 1953 and 1954 and then decline somewhat in 1955. Relative to total capital outlays, the proportion of replacement and modernization programs of these companies increases steadily from about two-fifths in 1952 to over one-half in 1955, about the same proportion as in the immediate pre-Korean period. However, the companies indicated the difficulty of segregating expansion from other programs, and any such division is useful only as an indication of trend.

Size of Nation's Future Market

These are some of the things which led us to the conclusions which were earlier stated. But business wished us to take a look ahead to 1955 to provide a measure of the size of the Nation's market, assuming that we are successful in maintaining an expanding economy.

While our pattern should not be considered a forecast, it was set forth so that the businessman can visualize the character of the markets in the perspective of the assumed size of the military establishment and of the over-all market.

Leaving out the qualifications, our calculated total national output in 1955 is $365 billion in 1951 prices. This is nearly 11% above the 1951 total—8% more than in 1952.

On the basis of the higher income flowing from this enlarged production, the 1955 personal consumption expenditures (in 1951 prices) would be nearly 10% above the 1951 total. Naturally, the increases in the consumer markets would differ among the various categories of consumer goods and services. Largest increases are indicated for the consumer durables. They are calculated at nearly 15% over 1951; non-durables and services are calculated at about 9% higher. Some items show little or no change while others show substantial increases. This is in line with our experience in the expansion of various markets under conditions of a growing economy. The market pattern is spelled out in some detail which I shall not attempt to review here.

Our calculations are intended to be helpful, not to give hard-and-fast answers as to business expectations.

In the future, as in the past, businessmen will be faced with the problem of estimating the prospective size and potentialities of their markets. Each firm must appraise its position with respect to its own industry, in the light of continuous developments in the Nation's economy. This requires the constant evaluation of the market demand and the way in which this demand is affected by the course of general business conditions.

The future offers opportunities to business management in many directions. This is clearly evident from my earlier discussion of growth industries and from the general tendency of the economy as a whole to grow.

It was our hope in issuing the markets study that we could contribute to furthering the understanding of the businessman of the general economic forces by measing the broad forces at work. The individual is best equipped to apply such part of the analyses and conclusions as he may find of value in his own operations.

Tomes & Welsh Forming

Following the dissolution of Morgan & Tomes on Feb. 28, Alexander H. Tomes and Stanley G. Welsh, both members of the New York Stock Exchange, will form Tomes & Welsh with offices at 50 Broadway, New York City, to engage in the securities business. Mr. Welsh has recently been active as an individual floor broker.

Childs, Williams Officers Of R. E. Schweser Co.

OMAHA, Neb. — Robert E. Schweser Company, 208 South Nineteenth Street, announce that Hal F. Childs has been elected Vice-President and Frank E. Williams Treasurer of the company.

MEMBERS OF

NATIONAL SECURITY TRADERS ASSOCIATION INC.

THE BOSTON SECURITIES TRADERS ASSOCIATION

29th ANNUAL DINNER

At Sheraton Plaza Hotel
February 11, 1953

Vice-President

Lewis D. McDowell
Chas. A. Day Co., Inc.

Treasurer

Edward F. Hines
Chace, Whiteside, West & Winslow, Inc.

President

William J. Burke, Jr.
May & Gannon, Inc.

Corresponding Secretary

Leo F. Newman
J. Arthur Warner & Co., Inc.

Recording Secretary

Alan C. Leland
Geyer & Co., Inc.

GOVERNORS

Robert Blair
Harris, Upham & Co.

Rodney Darling
Du Pont, Homsey & Co.

John L. Ingham, Jr.
Blyth & Co., Inc.

James E. Moynihan
J. B. Maguire & Co., Inc.

Arthur C. Murphy
A. C. Allyn & Co., Inc.

William S. Thompson
Ralph F. Carr & Co., Inc.

James A. Morrison, *Townsend, Dabney & Tyson;* Henry Tabb, *Townsend, Dabney & Tyson;* John L. Daley, *J. B. Maguire & Co., Inc.;* Louis Zucchelli, *J. B. Maguire & Co., Inc.*

Victor Dugal, *J. B. Maguire & Co., Inc.;* Michael Voccoli, *Charles King & Co.,* New York City; "Speed" Hughes, *Clayton Securities Corp.;* Charles Smith, *Moors & Cabot*

John F. Lynch, *Hanrahan & Co.,* Worcester; Bill Bradley, *May & Gannon, Inc.;* Dick Murray, *May & Gannon, Inc.;* Les Barbier, *G. A. Saxton & Co., Inc.,* New York; Bruce Beal, *Kennedy, Peterson, Inc.,* Hartford

Joseph Gannon, *May & Gannon, Inc.;* John J. Drummey, Jr., *Bank of Nova Scotia;* Carl Levine, *May & Gannon, Inc.;* John E. Sullivan, Jr., *F. L. Putnam & Co., Inc.;* Martin King, *Sutro Bros & Co.,* New York City

Frank Dailey, *Securities Division, State of Massachusetts;* Harold White, *Securities Division, State of Massachusetts;* Frank Breen, *Schirmer, Atherton & Co.;* Bill Kumm, *Dunne & Co.,* New York City

Gene Hussey, *First Boston Corporation;* Jim Moynihan, *J. B. Maguire & Co., Inc.;* Sumner Wolley, *Coffin & Burr, Incorporated;* Gordon Libby, *Coburn & Middlebrook, Incorporated,* Hartford

Jack Putnam, *W. E. Hutton & Co.;* Arthur Tower, *J. Arthur Warner & Co., Inc.;* Henry F. Griffin, *A. C. Allyn & Company, Inc.;* Louis C. Lerner, *Lerner & Co.;* Al Wagner, *Coffin & Burr, Incorporated*

J. F. Robbins, *F. S. Moseley & Co.;* Birney Halliwill, *F. S. Moseley & Co.;* Duke Hunter, *Hunter Securities Corporation,* New York City; N. Irving Maxfield, *Cohu & Co.,* New York City; Philip F. Kenney, *E. M. Newton & Co.*

Tom Mullins, *White, Weld & Co.*, New York City; Harry Walker, *White, Weld & Co.*; F. T. Sutton, *White, Weld & Co.*, New Haven, Conn.; Bert Burbank, *White, Weld & Co.*, New York City; Francis R. Coggill, *White, Weld & Co.*

John J. Hart, *White, Weld & Co.*; Homer Wirth, *Mabon & Co.*, New York City; Red Monson, *Keystone Company of Boston*; Nick De Simone, *White, Weld & Co.*; John E. Cashman, *White, Weld & Co.*

Wilfred N. Day, *Chas. A. Day & Co., Inc.*; Dick Currier, *Jackson & Company, Inc.*; Pete Munn, *Jackson & Company, Inc.*; Reg. Whitcomb, *Spencer Trask & Co.*

Shelby Cullom Davis, *Shelby Cullom Davis & Co.*, New York City; Emil Kumin, *Estabrook & Co.*; Samuel F. Colwell, *W. E. Hutton & Co.*, New York City; George W. Cunningham, *George W. Cunningham & Co.*, Westfield, N. J.

Frank Harrington, *H. D. Knox & Co., Inc.;* Curt Townsend, *Weeden & Co.;* Joe Turnbull, *Securities & Exchange Commission;* Phil Kendrick, *Securities & Exchange Commission*

John D'Arcy, *F. L. Putnam & Co., Inc.;* Anthon E. Lund, *Securities & Exchange Commission,* New York City; Louis Walker, *National Quotation Bureau,* New York City; J. B. Maguire, *J. B. Maguire & Co., Inc.*

Lester Frenkel, *Gersten & Frenkel,* New York City; George Dedrick, *Joseph McManus & Co.,* New York City; Robert McCook, *Hecker & Co.,* Philadelphia; Joseph Carew, *F. L. Putnam & Co., Inc.;* James B. MacFarland, *H. M. Byllesby and Company, Incorporated,* Philadelphia

Lee Hallett, *Goldman, Sachs & Co.*; John McLaughlin, *McLaughlin, Reuss & Co.*, New York City; Hal Murphy, *Commercial & Financial Chronicle*, New York City

Arthur Wadsworth, *Arthur G. Wadsworth & Co.*, Dartmouth, Mass.; Lewis D. McDowell, *Charles A. Day & Co., Inc.*; Jim Duffy, *Paine, Webber, Jackson & Curtis*; Arthur C. Murphy, *A. C. Allyn & Company, Inc.*

Jules Bean, *Singer, Bean & Mackie, Inc.*, New York City; Barney Nieman, *Carl Marks & Co., Inc.*, New York City; James P. Cleaver, *Goodbody & Co.*, New York City; Dayton Haigney, *Dayton Haigney & Co., Inc.*

Jack Altmeyer, *Hayden, Stone & Co.*; John Stein, *J. F. Reilly & Co., Incorporated*, New York; Ray Coppens, *J. Arthur Warner & Co., Inc.*; Willard Putnam, *A. C. Allyn & Company, Inc.*

J. Roger Bragdon, *Goldman, Sachs & Co.*, Boston; Irwin Schloss, *Goldman, Sachs & Co.*, New York City; Arthur Engdahl, *Goldman, Sachs & Co.*, Boston; Skip O'Rourke, *Goldman, Sachs & Co.*

Bill Burke, *May & Gannon, Inc.*; Commissioner Paul Rowen, *Securities & Exchange Commission*; Harry L. Arnold, *Goldman, Sachs & Co.*, New York City

Al Dykes, *du Pont, Homsey & Company;* Robert Topol, *Greene and Company,* New York City; Cal Clayton, *Clayton Securities Corp.;* Al Zuccaro, *First Boston Corporation*

Jim Atkinson, *C. J. Devine & Co.;* Samuel Weinberg, *S. Weinberg & Co.,* New York City; Lawrence Connell, *Wellington Fund;* Richard Nowell, *Spencer Trask & Co.*

Ed Hines, *Chace, Whiteside, West & Winslow, Inc.;* Bill Burke, *May & Gannon, Inc.;* Lloyd Waring, *Kidder, Peabody & Co.;* Harry L. Arnold, *Goldman, Sachs & Co.,* New York City

"Candid" Jack Germaine, *Singer, Bean & Mackie, Inc.,* New York City

John Ryan, *Goodbody & Co.*, New York City; William Eiger, *Goodbody & Co.*, New York City; Albert Woglom, *Goodbody & Co.*, Boston

George Payson, *H. M. Payson & Co.*, Portland, Maine; Harry Crockett, *Coffin & Burr, Incorporated*; W. Henry Lahti, *Matthew Lahti & Co., Inc.*

John J. Meyers, Jr., *Gordon Graves & Co.*, New York City; W. B. Perham, *Coburn & Middlebrook, Incorporated*; Joe Rinaldi, *Lerner & Co.*

Jim McCormick, *A. C. Allyn & Company, Inc.*; John McCue, *May & Gannon, Inc.*; Leon E. Day, *Chas. A. Day & Co., Inc.*

Felix Maguire, *Stroud & Company, Incorporated*, Philadelphia; Tim Murphy, *Chace, Whiteside, West & Winslow, Inc.*; Frank Laird, *Stroud & Company, Incorporated*, Philadelphia

Barney Bernard, *Schirmer, Atherton & Co.*; Wallace Mossop, *Barrett & Company*, Providence; Carroll Williams, *Laird, Bissell & Meeds*, New York City

Walter Bradley, *B. W. Pizzini & Co., Inc.*, New York City; Harold F. Vaughan, *Doremus & Co.*; George Stanley, *Schirmer, Atherton & Co.*

Ben Thomas, *Boston Safe Deposit Co.*; Wilfred Conary, *G. H. Walker & Co.*, Providence; Rowe Rowlings, *Boston Safe Deposit Co.*

Don Homsey, *du Pont, Homsey & Company*; Bill Thompson, *Ralph F. Carr & Co., Inc.*; Leo Newman, *J. Arthur Warner & Co., Inc.*

James J. Lynch, *Paul D. Sheeline & Co.*; John Mathis, *American Securities Corporation*

Frank Ronan, *New York Hanseatic Corporation*, New York City; Joseph Monahan, *J. A. Hogle & Co.*, New York City

Rod Darling, *du Pont, Homsey & Company*; Dick Grimm, *Brown Bros. Harriman & Co.*; Joe Havey, *Boston Herald-Traveller*

Railroad Securities

Great Northern

From a market point of view Great Northern stock was one of the disappointments of 1952. It has long been recognized in financial circles as possessing genuine investment characteristics and it affords a generous yield. Nevertheless, last year it failed, pricewise, to keep pace with other equities of similar, or even slightly less, stature. This desultory action continued in the opening of the current year. More recently, however, it was again been attracting considerable buying interest, presumably largely of an institutional nature. It has been particularly noted by followers of railroad securities that in recurring periods of general pressure the stock has held up well.

Great Northern had its share of troubles last year, the most adverse development having been the extended cessation of iron ore activity in sympathy with the steel strike. Weather conditions reduced the wheat crop in parts of the service area and for part of the year the lumber business was spotty. These commodities, iron ore, wheat, and lumber, are the company's three main revenue sources. In view of the mixed traffic picture, it had generally been expected during the fall months that Great Northern would be one of the few roads to report lower earnings in 1952 than in 1951. By the time the year ended, however, such apprehensions were found to have been unwarranted.

When the mines reopened after the steel strike was settled, iron ore shipments rebounded sharply and the heavy volume was maintained throughout the balance of the shipping season. At the same time, general traffic conditions continued favorable. As a result, and also reflecting the higher freight rates prevailing throughout most of the period, gross revenues for the year were up nearly 5%. The road was able to shave nearly $1 million off its Federal income tax bill, and with operating costs held under strict control, net income increased 15.7%. Share earnings last year came to $9.10 compared with $7.74 in 1951. Certainly these earnings appear sufficiently high to warrant complete confidence in continuation of the present $4.00 annual dividend rate which, at recent market levels, affords a return of around 7%.

Great Northern has not gone in so heavily as many other major carriers, particularly in the west, for dieselization. For one thing, with the heavy iron ore and wheat tonnage the operations are highly seasonal. Complete dieselization, then, would necessitate a large amount of idle diesel power standing around for months on end. Idle diesel power is an expensive luxury. Another factor is the lack of grades on the extensive mileage crossing the plains. In the mountain territories of the west, where the elimination of helper service brings important savings, diesel power has been adopted for road freight service. Passenger service is all diesel and so is practically all switching.

Even without the benefits of full dieselization the company has been able to maintain, and even improve on, its traditional high degree of operating efficiency. Consistently over a long period of years the company's transportation ratio has run well below the average for Class I carriers as a whole. In 1951 this important ratio was exactly three points below the industry showing at 35.2%. Last year the company cut nearly two points off this ratio bringing it down to 33.4%. It is extremely doubtful if the industry as a whole was able to de relatively as well. On the basis of indicated continued capital improvement plans it is indicated that this favorable trend of the operating performance should continue.

Aside from the current earnings and the high degree of operating efficiency the company's long-term traffic outlook is considered favorable in most quarters. New aluminum plants have proven an important source of additional traffic and continued expansion in this industry is in prospect. Trafficwise the road will probably be the major beneficiary of oil exploitation in the Williston Basin. Some of the new irrigated farm land in the northwest, a large part of it served by Great Northern, is coming into production. General industrial expansion around the eastern end of the system continues. With all of these factors, augmented by the fact that the company over a period of years has materially improved its debt structure, it is hardly surprising that renewed investment interest is being generated in the company's shares.

Halsey, Stuart Group Offers Consol. Ed. Bds.

Halsey, Stuart & Co. Inc. and associates yesterday (Feb. 18) offered $40,000,000 Consolidated Edison Co. of New York, Inc. first and refunding mortgage bonds, 3½% series I, due Feb. 1, 1983 at 102¼% and accrued interest. Award of the bonds was won by the group at competitive sale on a bid of 101.55999%.

Of the proceeds from the sale of the bonds $17,000,000 will be applied to the payment of short term bank notes, issued in connection with the interim financing of the company's construction program. The balance will be used to reimburse the company's treasury in part, for expenditures made in connection with the construction program. The company estimates that its construction program for the years 1953 through 1957 will involve an expenditure of approximately $380,000,000, based on present price levels and conditions.

The bonds will be redeemable regular way at prices ranging from 105¼% to par, while special redemptions may be made at prices from 102¼% to par.

Consolidated Edison Co. of New York, Inc. supplies electric service in the Boroughs of Manhattan, The Bronx, Brooklyn, Richmond and Queens excepting the Rockaway District, all in the City of New York, and in Westchester County excepting the northeastern portions thereof; and gas service in the Boroughs of Manhattan and The Bronx, in parts of the Borough of Queens, and in the more populous parts of Westchester. The New York Steam Corp. supplies steam service in part of the Borough of Manhattan.

Continued from page 9

It Pays to Speculate— Off the Beaten Track!

cial applications such as coaxial and broadcasting cables. Customers include such concerns as Ford Motors, Bullard, Servel, General Electric, Westinghouse Electric, Remington Rand and Landers, Frary & Clark. Since management changes three years ago the company has progressed rapidly. Despite highest bracket taxes, earnings were equal to $3.81 per share last year, and should exceed that figure this year since domestic business is increasing while output for the Signal Corps is declining. Lapse of Excess Profits Taxes would cause earnings to jump very substantially.

Pubco Development (warrants): This company is currently a wholly-owned subsidiary of the Public Service of New Mexico. It is engaged in the acquisition, exploration and development of oil and natural gas leases, particularly in the San Juan basin. Drilling results to date have been very successful. These warrants entitle holders to purchase shares of stock of Pubco at $1 per share between Jan. 1, 1955, and March 31, 1955, during which time the parent company will "spin-off" this subsidiary to warrant holders. The price trend for natural gas has been persistently upward in the last decade, and this trend is likely to continue.

Purolator Products: As an important maker of oil, gasoline and air filters, the company supplies a wide range of industries including auto, tractor, truck, airplane, diesel engine, hydraulic, paint, sugar, food products, drug, beverage, plastic and chemical. Sales have trebled since 1946. Dividends, which have been paid since 1941, have been conservative because of working capital needs. Although original equipment is supplied to many of the industries mentioned above, replacement demand is an important bolster to sales.

Reaction Motors, Inc.: Started during the last war by a group of young scientists interested in rocket propulsion, Reaction has progressed rapidly until it is now one of the most important builders of rocket engines for both guided missiles and aircraft in this country. Its engines have already sent a Viking guided missile to a height of 135 miles, as well as powering a Douglas Skyrocket at a speed in excess of 1,200 miles per hour and also to a new altitude record. More recently, an engine made by Reaction drove the Republic XF-91 through the sonic barrier. The U. S. Navy is building the company a new facility this year at a cost of around $4 million. A sizable production order appears probable once this construction has been completed. Recently, the company and its associates acquired a controlling interest in Flight Refueling, Inc. Operations have been profitable since 1947 despite the fact that work has been largely of an experimental and development nature. Laurance Rockefeller owns 46,000 of the 109,526 shares of common stock outstanding.

Southwest Gas Producing: The company sells natural gas under long-term contracts. Lease holdings of the company, both operated and unoperated, total over 66,000 acres, of which approximately only 9,000 have been developed and are being operated. An extensive drilling program is carried on, and reserves of natural gas are estimated at one-half trillion cubic feet. Deliveries on a new contract at favorable rates began in September, 1952, and this should result in larger earnings during the current year.

Taylor Oil & Gas: This natural gas and oil company has checkerboard leases in nine Texas counties, but its most valuable holdings appear to be concentrated in the McAllen field, the extent of which has not been definitely outlined. In July, 1952, a 28% interest in Kirby Petroleum Co. was purchased, and it is believed that a merger between the two companies may be consummated. A second merger into Delhi Oil might then be practical since the Murchison interests have substantial stakes in both companies. Only a portion of company's reserves are contracted for, and since the price of this commodity has been increasing steadily over the years, this is in Taylor's favor.

Tracerlab, Inc.: The company was organized to operate in the field of nuclear physics and tracer chemistry involving the use of radioactive isotopes. It is a leading manufacturer of nucleonic instruments in this country, and with Bendix Aviation is the principal commercial processor of radioisotopes, handling and processing for resale, under Atomic Energy Commission controls, radioactive isotopes produced at Oak Ridge, Tenn. In 1951, Tracerlab acquired Kelley-Koett, a subsidiary which produces X-ray equipment and instruments for radiation detection and measurement. Operations have been consistently profitable since formation of the company in 1946. Sales set a new monthly record in December, 1952.

Ultrasonic Corp.: This company is engaged in engineering, research and development programs, and in the manufacture and installation of equipment and processes utilizing sonic energy (sonic waves). Its staff includes many of the country's leading experts in this branch of science. Also manufactured are navigational computers and related equipment for the control of guided missiles. This branch of the company's business is expanding rather rapidly, and appears likely to do so in the future. The Monitor division, acquired in 1952, makes motor control and switch gear equipment. A new, small high fidelity loudspeaker is believed to possess good commercial possibilities.

Walt Disney Productions: This company has long been known as a producer and distributor of animated cartoons in color for the movie industry. In recent years activities have been expanded to include full-length features. The company's library contains over 400 films believed to possess very valuable potentialities for television once universal color telecasting becomes an actuality. Since production costs on these films have already been written off, profits from this new source of income could become very substantial. Until that day arrives, revenues will continue to be derived from shorts and also full-length features like "Peter Pan," only currently being released.

L. D. Friedman Co. Formed

L. D. Friedman & Co., Inc., has been formed with offices at 52 Broadway, New York City, to engage in the securities business. Louis D. Friedman is a principal of the firm.

Home Imp. Fin. Class A Common Stock Offered

George A. Searight, heading a group of participating dealers, is offering publicly "as a speculation" 200,000 shares of Home Improvement Financing Corp. class A common stock at $1.50 per share.

Net proceeds from the sale of the stock, together with other funds accruing to the company, will provide its working capital, substantially all of which will be available for use by the corporation in its business of various home improvements and time financing.

Home Improvement Financing Corp. is engaged in the business of constructing home improvements and additions to low and medium priced residential properties and in the time-financing of these home improvements for the home owner through its own resources. Organized in Delaware on Jan. 30, 1953, the corporation conducts the type of business originated in 1946 and previously conducted by Mortimer L. Schultz, President and Director of the company, which will operate initially in New Jersey and New York. The corporation expects to extend its operations into several other states.

Upon completion of the current financing, 200,000 shares of class A common stock (par 50 cents) and 200,000 share of class B common stock (par 50 cents) will be outstanding. The class A common stock is entitled to certain dividend and liquidation preferences. The class B common stock was issued to Mr. Schultz in consideration of his transfer to the corporation of monthly liquidating receivables in excess of $100,000, payment of which is guaranteed by Mr. Schultz.

John D. Foster With Studley, Shupert

PHILADELPHIA, Pa.—Studley, Shupert & Co., investment counselors, announce that John D. Foster has become associated with their firm.

Prior to joining Studley, Shupert & Co., Mr. Foster was associated with DeHaven & Townsend, Crouter & Bodine as manager of the investment department.

Mr. Foster entered the financial field in 1937 following graduation from the Wharton School of Finance, University of Pennsylvania, with a B.S. in economics. That year he joined the Pennsylvania Co. for Banking & Trusts and in 1943 was named trust investment officer of the Real Estate Trust Co. of Philadelphia.

Mr. Foster is a member of the University Club, a director of the Financial Analysts of Philadelphia and a member of the Philadelphia Securities Association.

Firm Now Schmidt, Poole, Roberts, Parke

PHILADELPHIA, Pa. — Effective Feb. 16, the firm of Schmidt, Poole & Co., 123 South Broad Street, members of the Philadelphia-Baltimore Stock Exchange, was changed to Schmidt, Poole, Roberts & Parke. Partners of the firm are Samuel W. Parke, Donald W. Poole, Osborne R. Roberts, Walter A. Schmidt, Orrin V. Boop, E. Coit Williamson, and Allen D. Sapp.

Capper & Co. Expands

Capper & Co., members National Association of Securities Dealers, Inc., announce the removal of their offices from 29 Broadway to larger quarters in 25 Broad Street, New York City.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Banking conditions during 1952 were generally favorable with the result that most of the major institutions throughout the country were able to report a gain in net operating earnings.

Business activity for the period was maintained at a high level aided by large plant expenditures and the acceleration of defense production. Despite reduced activity in such fields as textiles and the steel strike in June and July, industrial production for 1952 averaged higher than in the previous year.

The demand for credit reflected the high level of business activity and bank loans of practically every type increased. After a small seasonal decline during the early months of the year, loans expanded sharply and reached new records in the final quarter, gaining by close to 9% for the year on a country-wide basis.

This expansion in loan volume was accompanied by a firming of interest rates in most areas so that the averages annual return on business loans for 1952 was considerably above that of a year earlier. For example, the rate on short-term loans for 19 selected cities averaged 3.5% in 1952 as compared with 3.1% in 1951.

The increase in loan volume and the higher interest rates were the two most dominant factors in the bank operating picture last year. Countrywide there was a moderate gain in holdings of government securities by banks and, of course, the rate of return improved on these investments because of the higher yield. For most banks, however, the gain in gross operating earnings was largely attributable to the increase in interest on loans.

Expenses rose steadily because of higher wage rates and the greater banking activity. These increases in costs were easily absorbed by the larger gross earnings with the result that net before taxes showed a sizable gain.

Federal taxes were higher both because of the increase in rates and the larger taxable earnings. In some cases banks incurred an excess profit liability which restricted gains in net income. Nevertheless, most institutions were able to show an increase in net operating earnings for the year, although the experience varied considerably among the different banks.

Two weeks ago we presented a tabulation on the operating earnings of major New York City bank stocks. This week, the operating results for the past three years of 18 of the large commercial banks in various sections of the country outside of New York City are shown.

	Per Share Operating Earnings 1952	1951	1950
Chicago:			
Continental Illinois National	$7.03	$6.45	$5.88
First National of Chicago	16.49	14.85	11.92
Harris Trust	*31.41	*26.98	*25.96
Northern Trust	†20.34	†19.54	†18.82
Boston:			
‡First National	4.13	3.94	3.62
National Shawmut	3.11	2.83	2.75
Cleveland:			
Cleveland Trust	§17.65	§18.42	§20.41
National City	4.38	4.61	4.56
Philadelphia:			
Girard Trust Corn Exchange	4.16	3.72	4.05
Pennsylvania Company	¶3.14	¶3.09	¶3.49
Pittsburgh:			
Peoples First National	3.48	4.09	3.97
Mellon National	22.44	20.45	18.25
California:			
Bank of America	2.10	2.12	2.16
Security First National (L. A.)	10.53	8.21	8.33
Miscellaneous:			
First National of Portland	3.41	3.26	3.27
First National of St. Louis	3.98	3.73	3.81
National Bank of Detroit	4.66	4.51	4.43
Republic National of Dallas	3.98	3.31	4.15

*Figures adjusted for 20% stock dividend paid January, 1953. †Figures adjusted for 100% stock dividend paid December, 1952. ‡Includes Old Colony Trust Co. §Adjusted for two-for-one stock split approved January, 1953. ¶Earnings for fiscal years ended Nov. 30.

All of the above figures have been adjusted for stock dividends, splits and the issuance of new shares, in order to make them as nearly comparable as possible. However, in certain instances some banks do not publish operating statements. For this reason, reported earnings may include transfers to and from reserves or other adjustments and are not necessarily the true operating results. This is the case, for example, with the First National Bank of Chicago. For the most part, however, the figures shown are comparable operating earnings.

The record of the foregoing banks for last year is considered favorable. Even though all institutions did not follow the general trend of operating earnings because of individual problems and characteristics, most were able to take advantage of the generally favorable conditions to the benefit of stockholders.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of Philip W. Smith to Second Vice-President in charge of the consumer credit department of the **Chase National Bank of New York** has been announced by Percy J. Ebbott, President. Mr. Smith joined Chase in 1945 and assisted in the organization of the consumer credit department. He was appointed an Assistant Manager in 1950 and Assistant Cashier in 1951.

It is also announced that Donald C. Norton and Ralph J. Pempel have been promoted to Second Vice-Presidents in the Trust Department of the Chase National Bank.

* * *

Irving Trust Company of New York announced on Feb. 16, the promotion of three members of its headquarters staff at 1 Wall Street. Albert V. Doherty, formerly Assistant Secretary, was promoted to Assistant Vice-President, while Francis G. Martineau and John C. Selvage was appointed Assistant Secretaries. Mr. Doherty, who is head of the Irving Personnel Department, became associated with the company in 1946. Mr. Martineau joined the Irving in 1950, he is in charge of the company's Purchasing Department. Mr. Selvage, a member of the accounting staff, will assume charge of the Accounting Department. Prior to joining the Irving he had experience as a CPA in public accounting work.

On Feb. 13, Irving Trust Company announced the appointment of Edgerton A. Pattison to the newly created position of Assistant Comptroller. Mr. Pattison, formerly an Assistant Vice-President, will be responsible for the overall direction of the Accounting, Tax and Insurance Departments.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company of New York** announced on Feb. 16, that Andrew L. Gomory will become head of the Bank's Foreign Department when Lincoln Johnson retires this Spring, in order to make his home in the Southwest.

Andrew L. Gomory

Mr. Gomory, who has been associated with Manufacturers Trust Company for 30 years, is Chairman of the American Committee for Standstill Creditors of Germany, and a member of the Board of Regents of Long Island College Hospital. Since joining Manufacturers Trust Company in 1931, Mr. Johnson has been Vice-President in charge of the Foreign Department. He is also a Director of Far-East America Council of Commerce and Industry, and a member of the American Institute of Mining and Metallurgical Engineers. In retiring at 59 Mr. Johnson is making no business plans for the immediate future, but expects later to resume activity in one of the several lines of his early experience.

The New York State Banking Department recently reported that approval had been granted on Jan. 15, to an increase in the capital stock of the **Federation Bank & Trust Co. of New York,** from $1,500,000 to $2,000,000. The par value of the stock is $10 per share.

* * *

The National City Bank of New York announced on Feb. 16, that it would on that day re-establish a limited banking facility for the convenience of Port of Embarkation personnel at the Army Base in Brooklyn.

* * *

The Board of Directors of **Sterling National Bank & Trust Company of New York** have elected Peter F. X. Sullivan as Assistant Vice-President. He is located in the main office at Broadway and 39th Street.

* * *

The election of Samuel S. Flug as a director of the **Lafayette National Bank of Brooklyn, N. Y.,** has been announced by President Walter Jeffreys Carlin. Mr. Flug is a member of the firm of Flug, Strassler & Weissman, Industrial Engineers. He is President and a director of the Ames Iron Works, Oswego, New York; Treasurer and a director of Billings and Spencer of Hartford, Conn., etc. Mr. Flug has been interested in educational and community activities.

* * *

Approval is made known by the New York State Banking Department of a certificate calling for reduction of the capital stock of the **Freeport Bank of Freeport, Long Island, N. Y.,** from $425,000 consisting of $75,000 of preferred stock, in 50,000 shares (par $1.50 each) and $350,000 of common stock, in 35,000 shares (par $10 each) to $350,000 in 35,000 shares of common stock par $10 each.

* * *

The capital of the **First Portland National Bank of Portland, Maine,** has been increased from $1,000,000 to $1,050,000 by a stock dividend of $50,000, the new capital having become effective Jan. 31.

* * *

The resignation of Carl K. Dellmuth as Secretary of the **Pennsylvania Bankers Association,** effective June 30, next, was announced by PBA President George C. Rutledge at Harrisburg, Pa. on Feb. 13. Mr. Rutledge stated that Mr. Dellmuth's resignation had been reluctantly accepted by the PBA Executive Committee so that he could accept an appointment as Vice-President of **Fidelity-Philadelphia Trust Co., Philadelphia.** Howard C. Petersen, President of the bank, reported that Mr. Dellmuth will assume his new duties on July 1. He will be in charge of newly created bank correspondent department. He will also be responsible for the public relations activities of the bank, including its advertising. Mr. Dellmuth was named PEA Secretary in October, 1949, when he became the first full time Secretary in the history of the Association.

Carl K. Dellmuth

* * *

The Tradesmen's National Bank & Trust Co. and **Land Title Bank & Trust Co. of Philadelphia** announce that their respective boards of directors have agreed to recommend to their stockholders a plan of merger and consolidation of their institutions, subject to the final aproval of the regulatory authorities. It is part of the plan that the combined bank will be a member of the Federal Reserve System. It is proposed that the combined bank be a Pennsylvania corporation called "Tradesmen's Land Title Bank and Trust Co.," with its main office at Broad and Chestnut Streets, Philadelphia. Its combined resources will be about $238,000,000 making it the fifth largest bank in Philadelphia and the seventh largest in Pennsylvania. Its principal officer will be Howard A. Loeb, Chairman of the Board; Percy C. Madeira, Jr., Chairman of the Executive Committee; James M. Large, President; Warren H. Woodring, Executive Vice-President. The title insurance business of the Land Title Bank & Trust Co. will be divorced from that company's banking and trust functions and be carried on by a newly chartered title insurance company, all of whose stock will be owned by the combined bank. Each stockholder of the Tradesmen's National Bank & Trust Co., which has 224,455 shares, par value $20, outstanding, will receive one share of stock in the merged bank for each share now held. Each stockholder in Land Title Bank & Trust Co., which has 160,000 shares, par $25, outstanding, will receive one and one-half shares in the merged bank for each share now held. Of the 240,000 shares which the stockholders of the Land Title Bank & Trust Co. will therefore receive, 40,000 shares represents an adjustment in the par value of its 160,000 shares from $25 to $20 per share, and the balance in admitted valuable assets of the Land Title Bank & Trust Co. not stated on its year-end balance sheet.

* * *

The First National Bank of Scranton, Pa., has the current month increased its capital from $4,185,000 to $4.500,000 by a stock dividend of $315,000.

* * *

An increase in the capital of the **Farmers Mechanics National Bank of Frederick, Md.,** is announced, whereby the amount was enlarged from $125,000 to $550,000, part of the increase — $175,000 — having been brought about by a stock dividend, and $250,000 resulting from the sale of new stock.

* * *

The Citizens National Bank of Frederick, Md., which had a capital stock (common) of $100,000, was placed in voluntary liquidation on Feb. 2, having been absorbed on Jan. 31 by the **Farmers & Mechanics-Citizens National Bank of Frederick,** the institution resulting from the consolidation of the **Farmers & Mechanics National Bank** and the **Citizens National Bank.**

* * *

The directors of the **National Bank of Commerce of Norfolk, Va.,** announced on Jan. 14 the election of C. S. Whitehurst and S. T. Northern to the newly created positions of Senior Vice-President.

* * *

Effective Feb. 2 the **Drovers National Bank of Chicago, Ill.** increased its capital from $1,250,000 to $1,500,000 by a stock dividend of $250,000.

* * *

Election of Robert S. Davis, of Lexington, Ky., to the post of Trust Officer in the **Republic National Bank of Dallas, Texas,** effective April 1, was announced

on Feb. 10 by Fred F. Florence, President of the bank, following a regular meeting of the directors. Mr. Davis was formerly Vice-President and Trust Officer of the **First National Bank & Trust Co. of Lexington.** He has held positions in several major firms, including Harris, Forbes & Co., New York investment underwriters, the Irving Trust Co., New York, from 1929 to 1941, and the Lincoln-Rochester Trust Co., Rochester, N. Y., from 1941 to 1945, when he joined the staff of the Lexington Bank.

* * *

Thirty years of service with **California Bank, Los Angeles,** was completed in January by G. M. Chelew, Vice-President and Personnel Director; L. A. Rentsch, Vice-President of California Trust Company—wholly-owned affiliate of the bank; H. G. Bunjes, Assistant Vice-President, and B. R. Fox, Assistant auditor.

J. S. Hartwell, Rudolph Ostengaard, and Gardner Turrill were recently elected Vice-Presidents of California Bank, Los Angeles, Frank L. King, President announced. Elected to Assistant Vice-Presidents were C. B. Aikens, R. W. Franson, Arch F. LeQuesne, D. S. Locke, John M. Miller, J. J. Murray, and E. L. Stone. Eugene D. Cole was elected Assistant Secretary. Harold Quinton, Executive Vice-President and director of the Southern California Edison Co., has been elected a director of California Bank.

* * *

Herbert D. Ivey was elected Chairman of the Board of Directors of **Citizens National Trust & Savings Bank of Los Angeles** at the organization meeting of the Board of Directors, on Jan. 15. In his new capacity, Mr. Ivey will continue active participation in the bank's affairs. L. O. Ivey was elected Vice-Chairman of the Board of Directors. He too, will remain active in the management of the bank. Samuel K. Rindge was elected Chairman of the Executive Committee of the Board of Directors. Mr. Rindge also will remain active in the bank's management. Roy A. Britt, who joined Citizens National in 1916 as a messenger, was elected President. In the years between 1916 and 1953, he has served the bank in nearly every capacity, rising to the Presidency from the position of messenger. K. B. Wilson, who joined Citizens National in 1922 after banking experience in other parts of the country, was elected Executive Vice-President.

* * *

At the annual meeting of shareholders of **Bank of America, National Trust & Savings Assn. of San Francisco,** all incumbent directors were reelected, a new director was installed in the person of Robert Di Giorgio. Charles M. Paganini, Chairman of the Board of Security Lithograph Co., was added to the Advisory Council of the Board. Two officers of Bank of America were recently elevated to Vice-Presidencies, it was announced by President Carl F. Wente. They are Fred Yeates, Director of the Bank's Publicity, and Maurice G. Litou, Assistant Manager of the International Banking Department, both at San Francisco Head Office. Mr. Yeates joined the bank in 1937. Mr. Litou has been associated with Bank of America for more than 30 years.

* * *

The Board of Governors of the **Federal Reserve System** announced on Jan. 22 the appointment of William H. Steiwer, Sr., rancher of Fossil, Oregon, as director of the **Portland** branch of the **Federal Reserve Bank of San Francisco** for the two-year term ending Dec. 31, 1954. Mr. Steiwer succeeds Robert B. Taylor, who is engaged in livestock raising and farming at Adams, Oregon, and whose term expired.

The United States National Bank of Portland, Oregon, elected two new directors at its annual meeting of shareholders and directors held in January. E. C. Dwyer, Vice-President and General Manager of the Dwyer Lumber Company of Portland, and D. W. Eyre, veteran Oregon banker who recently retired as Vice-President and Manager of the bank's Ladd & Bush-Salem branch, are the new Directors. In addition, two new Assistant Vice-Presidents, four Assistant Cashiers, two Assistant Trust Officers and two Assistant Branch Managers were announced by President E. C. Sammons, of the bank. Jacob Fuhrer and Leo G. Page, both Assistant Cashiers at the bank's Ladd & Bush-Salem branch, were advanced to Assistant Vice-Presidents. New Assistant Cashiers are Ernest G. Klein, Jr., Benjamin O. Lipscomb, Tillman C. McCamey and Guy P. McClung. William R. Bradshaw and Gordon M. Tretheway were appointed Assistant Trust Officers.

* * *

Appointment of J. William Horsey, Canadian businessman, as a Director of the **Imperial Bank of Canada at Toronto, Ont.,** was announced on Feb. 4 by I. K. Johnston, President. The Imperial Bank with assets of $586,000,000 is one of Canada's largest banking institutions. Mr. Horsey is President and on the board of a number of Canadian companies and has extensive financial interests in the United States, particularly in the State of Florida. He is President of Dominion Stores Ltd., Toronto; Chairman of the Board of Orange Crush Ltd., Toronto; Chairman of the Board of General Bakeries Ltd., Montreal, etc. In the United States he is Chairman of the Board of J. William Horsey Corporation, Plant City, Florida; President and Director of Orange Crush Company, Chicago, etc., etc.

Three With Salomon Bros.

(Special to The Financial Chronicle)

BOSTON, Mass. — Daniel J. Griffin, Joseph P. Lombard, and Philip D. Winn have been added to the staff of Salomon Bros. & Hutzler, 75 Federal Street.

Bankers Offer Niagara Mohawk Power Shares

An underwriting group headed jointly by Merrill Lynch, Fierce, Fenner & Beane, Kidder, Peabody & Co., and White, Weld & Co. on Feb. 17 offered 1,000,000 shares ... no par value common stock of Niagara Mohawk Power Corp., at $27.50 per share. The group won award of the stock at competitive sale Feb. 16 on its bid of $26.939 per share.

Net proceeds from the sale of the stock and from the sale of $25,000,000 principal amount of general mortgage bonds will be used to pay $40,000,000 of loans due March 1, 1953 borrowed for construction in 1952 from banks unaffiliated with the company, to reimburse the company's treasury and to finance in part the company's construction program. It is presently anticipated that through 1953 the company's construction program including the proposed acquisitions, will necessitate not more than $45,000,000 of debt or equity financing, including bank loans, in addition to the present financing.

Niagara Mohawk Power Corp., is engaged in the electric and gas utility business in New York State. The company has three subsidiaries — Canadian Niagara Power Co., Ltd., and St. Lawrence Power Co., Ltd., which are electric companies operating in Ontario, Canada and Beebee Island Corp., which owns and operates a hydro-electric station on the Black River in Watertown, N. Y.

The company renders electric service to the public in an area in New York State having a total population of about 3,100,000, and distributes natural gas in areas in central and eastern New York State having a population of about 1,100,000.

Shuman, Agnew Admits

SAN FRANCISCO, Calif.—Van S. Trefethen on March 1 will be admitted to partnership in Shuman, Agnew & Co., 155 Sansome Street, members of the New York and San Francisco Stock Exchanges. Mr. Trefethen has been with the firm for some time.

With Waddell & Reed

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Allan L. Goodman, Henry C. Dietz, Edward W. Hofmeister and Leonard C. Laase have joined the staff of Waddell & Reed, Inc., Metropolitan Building.

Two With King Merritt

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Ely O. Merchant, Jr. and Murel D. Rhodes have become connected with King Merritt & Company, Inc., 1151 South Broadway. Mr. Rhodes was previously with Curtis Lipton Company.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The market for Government securities has been on the active side, and this is being attributed mainly as an aftermath of the refunding operation which generally brings in its wake a number of maturity changes and larger volume. The short-term issues are in good demand, with corporations giving the larger financial institutions competition for the choicest near-term obligations. This keeps the tone good in these securities. The intermediate-terms have had a somewhat enlarged demand from both investors and traders because it is now evident that the new 2½% bond did not do anything to hurt the outstanding ones which were depressed a bit too much by the uncertainty of the new offering.

Although there is no glamor in the longer-term higher coupon obligations at the moment, there has been, nevertheless, a fairly good demand around for some of these securities from both the public and private funds. Prices have been fairly firm even though the supply has at times been larger than the demand.

Dual Refunding Seen Again

Although the money markets are still talking about the lack of interest in the longer-term 2½% obligation which was one of the issues offered in exchange for the matured February certificates, there are expectations that this split type of refunding will be used again by the Treasury in future refunding. To be sure, the next important operation will not come along until June 1, and this is some time away yet, but it is believed in some quarters that the Treasury will make this a very important undertaking by making voluntary offerings to holders of the obligations that were eligible but which were not called for payment on Feb. 15. The retirement of the partially exempt 2s on June 15 was expected.

The taxable 2% bonds, it is indicated, would be the principal obligations that would be involved in what is being termed a voluntary pushing out of debt maturities. The Treasury will not have to call these securities, which would in itself involve cash redemptions if they were called for payment at a specific date. On the other hand, the Treasury can make a voluntary offering to the holders of the various issues and to the extent that there will be an acceptance by them, there will be some extension of the floating debt, which is one thing that the powers that be seem very intent upon bringing about. Conditions in the money markets at the time of such an offering would have an important bearing upon the kind of reception such an exchange offer would receive.

Treasury's Refunding Policy Important

The extension of the floating debt, admittedly very desirable development, may take sometime to accomplish, if it is going to be done in such a fashion that only token amounts are going to be extended into somewhat longer-term issues in these operations. However, this may turn out in the long run to be the best way to bring about debt lengthening, and at the same time have only a very negligible if any effect upon the economy as a whole. Too great a shift in ownership of Government securities might be the straw that broke the camel's back, and in that way throw the delicate balance of the various economic forces out of line. This would not be a favorable thing to have happen.

Debt management is going to be more important as time passes, and the way in which Government securities are shifted from group to group, and maturities are lengthened or shortened as the case may be will make its influence felt upon the economy of the country. Inflationary or deflationary forces will be counteracted in some measure by debt management policies. This, along with the credit policies of the monetary authorities, will most likely be the way in which efforts will be put forth to keep the economic scale in balance.

Buyers Liquidity-Minded

There seems to be no change in attitude as far as the money market is concerned, as it is pretty much on a short-term liquidity basis because of the operations it is believed are going to be undertaken by the monetary authorities. The changes in credit policies and in debt management are going to keep buyers of Treasury issues largely on the short-side as long as there are uncertainties to be faced. The intermediate-term issues appear to have certain followers as they have had in the past, and it seems as though the 2⅜s due 12/15/58, the new bond which came out of the recent refunding is being bought by institutions that took the 2¼s in place of it in the exchange offer. There are likewise reports that private pension funds have gone into the market and bought some of the recently offered 2½% bonds.

The longer end of the list has also been a bit steadier with a tendency to have a buoyant tone at times. Fund buying has been the reason for the somewhat better action of the highest income issues. Belief that these bonds have pretty fully discounted a longer termer high coupon bond, which may or may not come along, has brought more buyers into these securities.

Phila. Inv. Women To Hold Meeting

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its sixth educational lecture under sponsorship of the Philadelphia-Baltimore Stock Exchange at 5:15 p.m. Tuesday, Feb. 24, in the board room of the Fidelity-Philadelphia Trust Company. Speakers will be John L. Ricker, partner of Ricker, Sheldon & Co., and Charles L. Wilson, Secretary of the Philadelphia-Baltimore Stock Exchange. Their subject will be "Brokerage Accounting."

American Stock Exch. Names Halden Vice-Ch.

Charles W. Halden, partner in H. L. Buchanan & Co., was elected vice-chairman of the American Stock Exchange governing board at the group's organization meeting according to an announcement this morning by Edward T. McCormick, Exchange President. Mr. Halden has been a member of the board of governors since 1950. He was reelected at the annual elections held this week.

Mr. Halden began his Wall Street career in 1919 as a runner for Borg Brothers on the old New York Curb Market outdoors on Broad Street. He continued his association in an executive capacity with the concern when the Exchange moved indoors in 1922 and became a partner in the firm in 1922 the year in which he became a member of the New York Curb Market. Mr. Halden functioned as an independent broker from 1926 to 1947 at which time he became a partner in H. L. Buchanan & Co.

He will serve as chairman of the Exchange's finance committee, a post he held during 1952.

Governors who will serve as committee chairmen during the coming year include: John J. Mann, board chairman, who will head the executive committee; O. F. Browning, committee on securities; Robert C. Van Tuyl, outside supervision; David S. Jackson, floor transactions; Sterling Nordhouse, admissions; Walter T. O'Hara, arbitration; Thomas H. Hockstader, public relations; Joseph F. Reilly, realty, and Andrew Baird, business conduct.

C. Lowry Walker

C. Lowry Walker, Greenville, S. C., representative of McCarley & Company, Inc., has passed away.

Continued from first page

Can Crisis in International Trade Be Remedied?

decade earlier, but prices had also more than doubled. To make a long story short, by 1951, the latest full year for which data are available, $76.7 billion, or three times the 1937 level, was the total. If you take into consideration the rise of prices and of world population, then you may say that in physical volume international trade is just about holding its own. That is not much of a compliment in view of the growth of all other factors which affect the wealth of the world. It should be noted, however, that in three years after 1948, largely under the impetus of the post-Korean boom, commodity exports jumped by more than 50%, this in spite of the declining foreign trade of the Iron Curtain countries.

In the first quarter of 1952, the dollar volume of global exports was $19.2 billion, or at an annual rate of about the same as in the previous year. What all this means, essentially, is that world trade is not declining.

But the trouble is that it holds its own largely because of American aid. To begin with, American aid makes that much of American exports possible. Beyond that, it makes possible the exports of the countries which receive aid, being provided with raw materials, equipment, etc.

There are also indirect consequences. For example, the aid America provides makes possible triangular trade, such as, for example, Britain buying in Canada and paying with U. S. dollars, and Canada buying in turn from the U. S., whereby the total volume of world trade rises more than in proportion to the actual American aid. Moreover, inasmuch as the counterpart funds finance productive capacity in the aid-receiving countries, partially at least they make further exports possible; in any case, they create demand for imports in one country and therefore exports from another.

How to Bolster Foreign Trade Permanently

The problem for foreign trade, therefore, and not just for 1953 but for the next period of economic history, is this: Are we going to carry international trade on the same or similar crutches of American aid, or is there any way to revamp the picture of the last seven or eight years? That is the Number One question. There are three avenues, in principle, from which we may choose.

One is to change the pattern of aid, radically, giving it up except for minor amounts, such as to perpetually bankrupt countries like Italy, Greece and Austria.

The other is the opposite way: to go in in a big way as the world demands it—in a very big way. Change from partial aid to total aid, which is now called restoring the convertibility of the world's currencies.

The third way is to carry on as we did up to now and see what happens—wait for the day when a change will become mandatory, within another short period of years, presumably.

To understand where we might go, and to realize the fundamentals of this whole situation, let me formulate things in the most elementary fashion. What we have done since World War II was to spend some $35-odd billion of taxpayers' money abroad, plus some spent by Canada, Switzerland, etc., minor amounts. What we did was to try by this spending and by subsidiary encouragements, to bring the world's currencies up to the dollar. By "up" I don't mean any specific exchange rate. I mean up to the position of the dollar, by making the soft currencies convertible, thereby to free international trade from its worst shackles, to eliminate the extra barriers to trade towering over tariff barriers, and to reduce the tariff barriers themselves by putting them on the basis of the so-called reciprocity, which is nothing but the "most favored nations clause."

That was the basic idea. Like in all basic ideas, there were additional concepts attached, one thing or another, but the essential objective we pursued was patently: to make the pound sterling and the rest of soft currencies hard like the dollar, at some price, of course—but still to raise them to the level of the dollar's quality.

After so much spending and seven years of experimenting, we are exactly where we started, or worse off, because not only is the global dollar shortage not cured, but in addition the world is disillusioned, and so are we. From here on, rationally, something new ought to come. And Europe is ready to propose something new. Most authoritatively the new line of policy has been indicated by the Prime Ministers of the Commonwealth at their conference in December. More openly, the new idea is being expressed and broadcast all over the world; it is supported abroad by most central banks, governments, and so far as I can see, by the authoritative organs of public opinion in the leading countries. The dollar shortage is our fault, not theirs, is the new idea. The dollar has to be cured, not the sterling and the rest. To put it bluntly, at the risk of exaggerating a bit: since it turned out to be impossible to bring the world's currencies up to the qualitative level of the dollar, let's reverse the process and bring the dollar down to the level of the world's currencies. That is the real motive behind the recent proposals to make the soft currencies "convertible."

A prime item of the program of the Commonwealth Prime Ministers, and the number one thing suggested all over, is to devalue the dollar. Obviously, this would bring the dollar down, not the others up, though of course the others would devalue too. But you need to consider only one thing to realize what devaluation of the dollar would mean in terms of international monetary relationships. It would mean that not only the other currencies are vulnerable to devaluation, but the dollar is vulnerable, too. That alone makes it equal to the others, not the others equal to the dollar. But look through the list of propositions — official, semi-official, and unofficial—pouring in from Britain, France, Canada and the rest. They all amount to the same thing—the dollar should become available in exchange for other currencies, without the other currencies being what the previous seven years tried to make them, as good as the dollar. In other words, the dollar has to become as bad as they are. Good and bad are value judgments. Perhaps, as an economist, I should avoid such words. But you know what I mean.

The point is that which is to be established: the qualitative equality called convertibility, and a self-supporting international trade based on that monetary equality. But the new ways proposed to accomplish both, amount in reality to ruining the dollar by making it freely available to support the soft currencies. If carried out to any appreciable extent, these policies will mean one thing only: a global wave of inflation, possibly of the runaway type.

To dilute the dollar, that is all there is to the idea—which is what Lord Keynes proposed in 1944, and what then was watered down to the Bretton Woods scheme. There is no real international trade possible—unless the type walking on crutches, with importers being skinned, unless the world's currencies are being restored to convertibility of a genuine kind—unless the respective economic houses from which they stem are cleared of domestic inflations of one kind and another.

Let me insert one remark: all talk about reforming world trade or making countries trade-wise more independent or self-supporting, or European and similar Unions to accomplish that—world-wide or regional Unions—artificial arrangements of any sort, are totally meaningless and sheer talk unless they are based on the restoration of the convertibility of the currencies involved. Without that, no international trade of a genuine sort can grow. There can be only a lame duck sort of foreign trade carrying on with American financial aid and, incidentally, with the aid of worldwide subsidizing of exports. We subsidized our exports 100% by giving them away, a large part of them, for nothing. That is the biggest subsidy any country ever gave its exporters. But almost every nation subsidized its exports to a very large extent.

In Europe and elsewhere, subsidies of this sort, like permitting the exporter to use a certain percentage of his export proceeds for himself or for selling them on the black market at a higher than the official rate—meaning dollar export proceeds, of course; direct subsidies to the exporter; subsidies to the producer; fiscal subsidies, that is tax reductions, governmentalized insurances against loss, a hundred kinds of subsidies to promote foreign trade. Take off American aid and take off the open and concealed export subsidies, and see what is left of world trade in the face of a world growing tremendously in population, in resources and productive capacity. International trade is a dying industry without those crutches, dying at least in relative terms, possibly even in absolute terms. And sooner or later the crutches will have to be discarded if inflations should be checked and taxpayers relieved.

Will There Be a Turning Point?

Nineteen fifty-three, and I am not prognosticating, may be the turning year. But how can one "turn" this situation? Of course, one can do the radical thing, but one can also go slow, step by step. Statesmanly wisdom consists often, as you know, in compromises, which don't accomplish the best in the world, but still bring about something better, and we could make great inroads in two or three years into the system of crutches by gradually eliminating, reducing them without damage to international trade and all economies involved, nay, to their best benefit in the longer run. What is needed is not just reducing or keeping low the total amount of foreign aid; equally important is that its method of administration, the principles that guide its distribution, should be thoroughly revised. Let me bring them down to their simplest denominator.

Broadly speaking, the basic rule of administering our foreign aid was to punish those who improve their economies and remunerate those who don't. You may think this is overstating the point. Well, such was the policy, implicitly at least, and partly even intentionally. We come to the rescue of countries in a dollar crisis, but leave those trying to raise themselves by their own bootstraps—as France tried last summer under Pinay—to their fate. Look, for example, what happened at the turn of the year '52-'53. I hope that was one of the last things inherited from the soon-previous Democratic Administration.

The last thing MSA did was to tell the Dutch that since they had improved their balance of payments and had gained gold, please get off the wagon and don't ask for any more American aid. And please do it voluntarily; otherwise, we will put you off forcibly. So, "voluntarily," they are being kicked off. Why? Because they had improved their position, if temporarily only.

Nobody tells that to the British or the French or to anyone else whose position has worsened. At the moment a country's position improves, if accidentally only, it gets punished. Pressure is put on it one way or the other. No pressure is used when their condition worsens. Then, they are permitted and actually encouraged to apply the most indelicate methods (I was looking in the dictionary for a proper word, and "indelicate" is what I found to be the most suitable) of strangulating their imports. Indelicate, I say, because it means not just cutting off imports, but includes all kinds of discriminatory tricks contrary to common sense and even to common decency toward one's trade partners. Such methods are not only permissible, but are being promoted by high councils and representatives of the leading governments, including our own.

The same thing happened to Germany last December, only in a milder form. Apparently the MSA was a bit afraid to be too drastic with the Germans, while it wasn't afraid to deal drastically with Holland. Germany was given a neat little hint that inasmuch as her exports are above her imports, meaning visibles and invisibles combined, wouldn't it be a good idea that she, too, resign as a recipient of aid? In other words, she is to be punished for having made proper efforts, an educational method definitely not accepted in pedagogy. I don't mean to say that the better the dollar position of a country, the more dollars she should get, but inasmuch as we operate on the principle of foreign aid, there should be some discrimination in favor of those who make an effort to improve their position versus those who don't make sufficient effort.

If you think I am arbitrary in characterizing our foreign aid policy, its most elementary aspect, I shall quote some things the U. N. experts are propounding over in Europe. I am quoting from the Economic Surveys of Europe in 1950 and in 1951, both prepared by the Research and Planning Division, Economic Commission for Europe, consisting of what is called "probably the best qualified group of economic experts," including Americans. An intellectually very influential crowd, as you can well imagine, backed as they are by our blessings, by the glamor of scientific economics and the prestige of the U. N. I will let you hear a couple of sentences. For example:

The 1950 Survey said bluntly that "Germany is suffering from a lack of synchronization between the rates of expansion of the various sectors of the economy which government investment policy has so far done nothing to correct," and that therefore the expansion of Western German output is likely to be permanently hamstrung. That was being told to the Germans in early 1951; also their deficit at that time in the European Payments Union was taken to show "The incompatibility between the premature dropping of collective controls over imports and the internal expansion required to absorb idle resources of men and machines."

If you understand the lingo of economists, all this means is that the government should take over the management of investments and should exercise controls over imports, prices, etc. What the international economists candidly try to put over in Europe is their philosophy that governmental investment always makes a greater "long-term contribution to higher productivity" than private investment does. Accordingly, they objected strenuously to the fact that "in Western Germany the determination of the direction of investment"—listen to this—"has been left very largely to individual entrepreneurs. Those with profits to spare have been allowed to invest as they wish." Just think: the wicked Germans let their businessmen decide where to put their own money. I quote again: "What is needed is a highly differentiated policy"—differentiation is another word for Socialism—"likely to involve a much greater degree of conscious control of the working of the economic system than has been the practice since the monetary reform of 1948."

Germany did not take the advice, but in 1951, after this report came out, she enhanced her industrial and agricultural output more than any other nation did in that year, percentagewise, more than America or Canada, certainly more than any of Europe's Welfare States. She kept the rise in prices and of the cost of living at the lowest, next to America, and with all those entrepreneurs doing what they pleased, she brought her overall foreign trade balance into equilibrium, also converted her EPU deficit — you know what EPU is: European Payments Union—into a sizable surplus.

Now as for the Survey of 1951, let's see what the official economists say to Germany not following their advice: "In Western Germany, where the government attached considerable importance to credit policy, the volume of credit did not rise as much as would have been required to finance easily the rapidly rising value of agricultural and industrial production in external trade." In other words, the Germans didn't inflate enough to please our brain-trust.

"In any case, the credit policy seems to have hampered the development of production of consumer goods," the 1951 Survey lamented.

The fact is that German bank credits increased in 1951 by 30%. That's not enough, of course, for the Keynesians. They also felt that Germany, like Belgium and Italy, "made no inroads whatsoever into their heavy unemployment." Actually, employment rose 8% in Germany, and the unemployment percentage dropped 12%.

They also complained that "in Western Germany industrial wages have stagnated." Actually, German industrial payrolls rose about 10% in 1951, and nearly 15% in 1950. Fifteen percent one year, 10% another year—that's a nice rate of increase; even American labor unions would be satisfied with such progress, but not our generous economic "experts." They were critical of Austria and France, too. The 1950 Survey charged these two countries with excessive "financial caution." France, for one, took the advice and so in the Survey for 1951 she was blamed that her "expansionary credit policy was a contributory factor in a major inflation." The poor French apparently can never do right. First, they are told that they don't inflate enough, and when they do, that's wrong, too. Well, I am not going on, but it gives you an idea of the spirit that inspired our foreign aid pol-

icy—which is the base of world trade, or rather the crutch of world trade.

Let's Streamline Our Foreign Aid Procedures!

The point is that if we go on with subsidies, we ought to improve a bit our pedagogical methods. A thorough reform of the whole dollar situation could be brought about by merely streamlining our aid-procedures.

The problem today, however, is not alone what we would like to do. The problem is deeply complicated by the fact that Europe feels sick and tired of the present system under which they cannot act as freely as they please. Little as the strings attached to American aid amount to, we think, they amount to a lot if you look at the strings from the other side. They don't like to be exposed to scrutiny by Congress every year or more often, and to being told all sorts of unpleasant things in Congress and the press. Especially, they do not appreciate the armament-strings attached to our generosity. Also, they want to be put on a permanent footing. The idea is, as I said, to bring the dollar to the pound sterling, using the sterling as the symbol of the non-dollar currencies; it is, of course, by far the leading one around which the other soft currencies are to be grouped.

We shall be up against quite a number of propositions. In that context, let us realize what some people are inclined to forget, that the new President is Eisenhower and not Taft, and that Eisenhower's outlook on the situation is very different from that of Taft. He expressed it in a letter or cable to General Ridgeway at Christmas-time, and in a letter after New Year's day to Chancellor Adenauer. His idea is as it was—and you wouldn't expect a man like him to change his mind — that Europe must rearm and unite. Both are very expensive programs and the danger is that we will pick up the bill.

Europe doesn't want to rearm, still less to unite, unless our aid is not only substantially enlarged —but the European system based on new foundations—let's call a spade a spade—on new and quasi-permanent dollar foundations. They are not capable of financing major armaments because they cannot combine them with the social expenditures and related burdens they are already carrying, and because they are barricaded by internal and external obstacles against progress in productivity and cost reduction. It would take a revamping of their politico-economic systems to restore their solvency. Such revamping is probably a political impossibility. But they cannot become self-supporting without restoring the convertibility of their currencies.

European Unification —A Meaningless Concept

As to the unification of Europe, it is a meaningless concept, as it can be easily proved, without their currencies being unified on the same denominator, that is, made convertible into one another and into dollars. As the experience of the EPU shows, it is useless to try any monetary arrangements and leave out the one currency which is the common denominator of all of them, the dollar.

What is needed is not a European Union, which is a Utopia, no more desirable than a Pan American Union would be, but a substantial reduction of trade barriers, that in turn presupposes the return to the gold standard or at least to the dollar standard. If you realize how much resistance there is in this country against reducing the tariff, against tariff cuts which would not mean anything compared to what European vested interests would suffer if multilateral trade were reinstituted after more than a decade, more than 20 years, really, of ultra-nationalistic, protectionist, self-sufficiency-minded policies—Europe's deplorable resistance against a return to genuinely free exchange relations should be understandable. Breaking up the barriers is very painful to economic structures which are thoroughly entangled in labor, farm and business monopolies, and a deflationary readjustment of their whole industrial and agricultural planning would become imperative.

Germany went a longer way than almost any other European country to do just that, but Germany came out of ruins. The leading agricultural pressure group having been eliminated — the junkers in the East!—and the entrepreneurial group having lost its standing because of its early "footsie-playing" with Hitler, the Adenauer regime was able to overcome the vested protectionist interests for the time being. Incidentally, if your own curiosity reaches beyond the year 1953, you should watch closely Germany's development, which may be crucial for Europe, given her vital importance. Already, the sky-rocketing expansion of her exports seems to have come to a sudden standstill, largely because of the restrictionist policies of her neighbors.

Even more serious, Socialism raises its vicious head in Germany and threatens to annul all that has been accomplished since 1948. If the Socialists win the coming elections, Western Germany will become the playground of a new kind of equalitarian experimentation, already applied—under the protective shadow of the Schuman Plan, which is expected to "equalize" costs, i.e., eliminate competition—to coal and steel. It is the so-called co-determination. The German trade unions recognize that British nationalization is a failure; it takes away the unions' power and hands it over to the State bureaucracy. They want the power for their own bureaucracy; co-determination brings it about by loading the managements and boards of major corporations with union representatives.

The German Socialists' idea is that all major business units should be run, in effect, by the trade unions. You may well imagine what that will do to German business and German exports. We shall have another big invalid on hand. The fellow who invented co-determination was no radical. He was the chief of a steel plant in the Ruhr, who under the early occupation sought alliance with the trade unions, he himself being in the "doghouse" with the occupation powers while the trade unions were the pet children of the British forces in the coal-steel district. With the aid of labor he hoped to stop the demontage of his plant. Also, he hoped to avoid nationalization (promoted by the British) by offering the trade union: "You drop your nationalization plans, and I'll promise you that my plant will be run half and half by you and me." That's where the unions got the idea. Let that be a lesson to businessmen who are willing to make pacts with the Socialist devil, figuring that at the next turn they can outsmart the devil. But the devil is usually stronger than the entrepreneur.

The Problem of Reorganizing World Trade

Coming back to the point, we are being faced with the problem of reorganizing world trade in a better than stop-gap fashion. It's our baby.

Prospects are favorable that a business-like approach might be brought to bear on the problem of international trade — not the kind of approach represented last fall by a study coming out of the State Department and arguing that it is our responsibility to provide the climate necessary for American investments abroad—by the U. S. government fully guaranteeing them. But unfortunately there is a great deal of false idealism buried in otherwise hard-headed business heads. When I read the recent speech of one of our leading bankers, I grew a bit worried. Although he doesn't say anything very concrete, he has a way of saying it, which is about along the lines we have followed thus far. I quote: "We in this country must help restore currency convertibility if the economic systems of free nations are to be integrated, if the productive power is to be consolidated, and if we are to present a united front to Communist imperialism. In my opinion, convertibility will be achieved if and when currencies are freely convertible into dollars on current account." What a beautiful definition of convertibility: it is achieved when the currencies are convertible! But logic and diplomacy aside, the disturbing thing is the "must help" argument which we have heard so much that one is inclined to yell for help against the Must-Helpers.

The rhythm of such sentences as the one just quoted, reminds one of Dean Acheson himself. However, what we need is not emotional phraseology, but realistic action. Hard currencies don't grow out of soft hearts. What the Western World needs from us is not so much help, as rather guidance. Realistic guidance must be "conservative," i.e., it must not apply on short notice radically new departures. Let's not be die-hards who declare that we must not give a cent any more, although that perhaps would be the right thing to do—theoretically. Let us be aware of the fact that our own past policies carry a great deal of responsibility for the international mess. This is a crisis of international trade, even though it does not yet look so in statistical terms. We are responsible by having managed it that way, and we have to manage it out of the mess, which cannot be done over-night.

Exch. Firms Govs. To Meet in 1953

The Board of Governors of the Association of Stock Exchange Firms will hold its 1953 meetings as follows:

St. Louis, Mo.: May 11, 12, 13; Russell E. Gardner, Jr., Reinholdt & Gardner, in charge of arrangements.

Louisville, Ky.: Oct. 14, 15, 16; Edward H. Hilliard, J. J. B. Hilliard & Son, in charge of arrangements.

Morgan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leroy H. Dart has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Norman M. Banks and Dudley R. Urban have become affiliated with Shearson, Hammill & Co., 348 East Green Street. Mr. Banks was previously with Quincy Cass Associates.

With Gray B. Gray

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John L. Talbott is now with Gray B. Gray & Co., First National Bank Building. He was formerly with Investment Service Corporation.

2 With Hamilton Mange't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Horace F. Phelps, Jr. and Jacob J. Quintis are now affiliated with Hamilton Management Corporation, 445 Grant Street.

Boy! Page Cal Coolidge!

A survey by the Associated Press at the 44 state capitals where legislatures are meeting shows that proposed budgets are higher than the previous fiscal period estimates in 21 states and lower in only five.

In the other 18 states, there was found to be little change or, in most cases, the budgets still were being prepared. These budgets for the most part, are recommended plans for spending in the next fiscal period—either a year or two years.

As the stated budgets now stand, increases add up to $632,000,000 in the 21 states in which rises have been suggested. And, in the five states with proposed decreases, the reductions add up to $57,000,000. Thus, the overall result in these 26 states would be a net expansion of $575,000,000 in spending.

All the 48 states in the Union spent a record total of $13,000,000,000 in 1951. The current trend indicates a new record is in the making.—A recent Associated Press despatch under a Chicago date line.

Many will remember the valiant if not always successful battle fought by President Coolidge against extravagance in state and local governments in the 'Twenties. Where is the present-day Cal?

Public's Savings Exceed $200 Billion

U. S. Savings and Loan League estimates savings have increased nearly $63 billion from 1945 to close of 1952, with savings associations and life insurance companies leading the way.

Savings of the American public during 1952 passed the $200 billion mark for the first time, the United States Savings and Loan League, through its President, Charles L. Clements, disclosed on Feb. 8.

With savings associations and life insurance companies leading the way, savings climbed nearly $63 billion from 1945 to the close of 1952, and stood at an estimated $204,050,000,000 at the beginning of this year. Statistics compiled by the League's financial research department revealed that all of the principal savings media — with the exception of postal savings—registered impressive gains in the seven years from 1945 through 1952.

Savings associations, which held $7,365,000,000 in personal savings at the close of 1945, enjoyed a rise of $11,635,000,000 or 158% during the next seven years. Savings accumulated in these institutions totaled an estimated $190,000,000,000 at the start of 1953.

Meanwhile, the savings represented by accumulated life insurance reserves rose from $37,509,000,000 to an estimated $62,000,000,000 at the end of 1952. This was an increase of 65%.

Among the other principal savings media, substantial advances also were scored:

Commercial banks had touched a new peak of an estimated $40,015,000,000 in time deposits by the close of 1952, an increase of $10,086,000,000 or nearly 34% from the end of 1945.

Mutual savings banks showed an increase in savings of $7,218,000,000 or 47% from the 1945 total of $15,332,000,000.

The amount of U. S. savings bonds held by individuals and others also continued upward, although at a substantially slower pace than during World War II. Savings bonds outstanding at the close of 1952 amounted to $57,950,000,000, up $9,767,000,000 or 20.3% from 1945.

The one notable decline among savings media was in postal savings which dropped from $3,013,000,000 at the close of 1945 to $2,535,000,000 at the end of last year. This was a decrease of nearly 16%.

Mr. Clements pointed out that the tremendous savings upsurge since World War II took place in the face of "a considerable body of expert opinion" that savings were due to turn downward sharply after the war. "In fact," he said, "the reverse has been true." The big postwar bulge in savings has been one of the principal factors behind the nation's high business activity and great economic expansion, Mr. Clements claims.

In the field of housing, he said, savings have sparkplugged the postwar housing boom. He explained that savings have been funneled into new construction in large measure by savings associations across the country.

Table of Statistics on Savings by Media from 1945 through 1952

(In Millions of Dollars)

Type of Savings Media	Savings Held 1945	Savings Held 1952	Increases Over 1945 Amount	Increases Over 1945 Percentage
Savings Associations	$7,365	$19,000	$11,635	158.0%
Mutual Savings Banks	15,332	22,550	7,218	47.1
*Commercial Banks	29,929	40,015	10,086	33.7
Postal Savings	3,013	2,535	—478	—15.9
Life Insurance Companies	37,509	62,000	24,491	65.3
U. S. Savings Bonds	48,183	57,950	9,767	20.3
	$141,331	$204,050		

*Time Deposits.

Securities Salesman's Corner

By JOHN DUTTON

BUILDING AN INVESTMENT CLIENTELE

(Article 6 — Part 1)

"Your First Call On A Prospect"

You now have made an appointment over the telephone. You have established your first initial step toward the goal you are seeking—that of creating a client. Think of this for a moment. What is a client? A client is someone who trusts you, who comes to you for advice and guidance, and who gives you his business because he has this all important feeling of confidence in everything that concerns his dealings with you. Isn't that something very worthwhile for which to strive in your relations with your fellowmen? Not all customers will be clients. Some people do not wish to rely upon others for guidance, even in the specialized fields of activity such as finance and their investments. But there are many who are seeking such a relationship, just as you are likewise seeking them. This then is the mental attitude, the approach you should always maintain when you are cultivating both old customers and new prospects. With this basic approach to your thinking you cannot help but succeed in your work. The rest depends upon making the calls and doing and saying the right things when you meet your prospects.

A Good Interview Rests Upon Time and Place

You now have established the time—you have made the appointment over the telephone as we suggested in the previous article of this series. If you promised to limit your call to 10 minutes be sure that after you have talked for about this length of time that you look at your watch, then say, "Mr. Jones, I promised you on the 'phone that if you preferred it I would limit my call to 10 minutes. Ten minutes have now transpired, and, if you wish, I will leave and we can continue this discussion at another time, or will it be alright to continue for a brief while longer?" You will find that in almost every instance you will be told to go ahead **if you have obtained your prospect's interest and attention.**

Set the Stage

If there is a table in the room, ask to sit there together with your prospect. Mention that you wish to show him some information and it will be more convenient that way. By doing this you establish a friendly, conference, attitude. Placing two people around a table brings you mentally closer to your prospect and he feels that he too is part of the "act." Think this out and see if you don't agree that the first step in any relationship between buyer and seller (if it is to work out comfortably and cooperatively) is to eliminate the feeling of tension which develops when anyone tries to sell another person anything. You build up a natural barrier of defense when you try **to sell**—you lower that barrier when you ask another to sit down and look at **his problems and their solution** with you. You are in this first interview to clarify in your prospect's **mind** the things that he only hazily understands. But you must first clear the decks for confidence. Sitting together at a table, or at a desk in an office, is very helpful in creating confidence and lowering resistance to your ideas and suggestions.

Show a Chart of the Market

If you are living in 1953 at the very top of a long 12-year inflationary cycle you may agree that a sound investment program precludes having too much invested in highly speculative stocks. Most people don't have any idea of the way their securities are distributed, nor of the percentage they hold in cash, good bonds, preferreds in addition to investment and speculative common stocks. If it develops that your prospect already holds securities show him the ups and downs of the market. The Dow-Jones Averages or any other long-term market chart will clearly illustrate just where we are today in relationship to the past. If you go over this chart with him let him see for himself that the market has gone down as much as it has gone up over the years. Briefly point out the major turns in the market, then point out where we are today. Next let him tell you just how things look to him. Build up a forceful picture in his mind that there are times when certain moves have to be made in an investment account, if capital is to be preserved and protected. To wait until **after** common stocks start to decline will not protect capital. Certain changes must be made "before the event," not after.

Ask Questions

Then ask questions. Mention that the information you need will be held in confidence and that if your prospect does not wish to answer any of the questions you won't be offended. Ask him his purpose in investing: Is it for income; for income and safety, with capital growth as a secondary consideration; or for capital gains exclusive of all other considerations? Write down the answer. Ask him about his age and his health, about his dependents, then ask him to give you a resume of his securities, his mortgages, savings account, government bonds, etc., so that you can make a complete analysis based upon whether or not he: (1) has too many speculative stocks at this phase of the market cycle, or (2) sufficient buying power for possible better opportunities at a later date. Tell him you would like to come back in about 10 days with the completed study. Make an appointment then and there to do so.

(To be continued next week)

Blyth & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert E. Tutwiler has become associated with Blyth & Co., Inc., 135 South La Salle Street. Mr. Tutwiler was formerly with Barclay Investment Company.

Sills, Fairman Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph E. Teder has become affiliated with Sills, Fairman & Harris, Inc., 209 South La Salle Street, members of the Midwest Stock Exchange.

With Uhlmann & Benjamin

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Forrest Hunt is with Uhlmann & Benjamin, Board of Trade Building, members of the Midwest Stock Exchange.

Royden Morris & Co. Formed in Canada

VANCOUVER, B. C., Canada—Royden Morris has formed Royden Morris & Co., Ltd., with offices at 510 Hornby Street, to engage in the securities business. James McIlraith is associated with the new firm.

Economists Urge Return to Sound Money

Fifty-five members of Economists' National Committee on Monetary Policy say Congress should take prompt steps to make our currency redeemable at statutory rate of $35 per fine ounce.

A statement just issued by the Economists' National Committee on Monetary Policy, and signed by 55 of its members, urges Congress take prompt steps to restore the gold standard at the statutory rate of $35 per fine ounce.

The text of the statement follows:

I.

To aid the people of the United States to obtain a sound currency, we the 55 undersigned, members of the Economists' National Committee on Monetary Policy, make the following recommendations and observations:

(a) Congress and the Administration should take prompt steps to make our currency redeemable in gold at the statutory rate of $35 per fine ounce.

The controlling consideration as to whether a nation may and should institute redeemability is the adequacy, in the light of experience, of its gold supply. As of Oct. 29, 1952, the ratio of our gold stock to money and deposits was 10.8%. The average for the years 1915-1932 (pre-1934 data), was 8.6%; the range, 6.7-10.9%. The average for the same years (1915-1932), computed from revised figures of the Federal Reserve Board, was 7.9%; the range 6.0 to 9.9%. When the United States resumed gold redemption in January, 1879, the ratio was 6.5%.

The United States should take unilateral action in returning to a redeemable currency, thus setting a good example for other nations. The frequently-expressed assumption that to restore redemption there must, or should, be concerted action by leading nations has no basis in fact. Such an assumption compels the stronger nation to conform to the lack of capacity of the weaker nations in the group selected for concerted action, thus handicapping the strong without aiding the weak. All nations are served best when the stronger nations, one by one, put their own currencies in order. The argument for concerted action is analogous to a contention by a drug addict that he must not abandon his drug until all leading drug addicts agree to the procedure. The argument for concerted action is an argument for inaction or for futile international conferences.

The common contention that the Federal budget must be balanced as a necessary precedent to resumption of redemption does not rest upon fact. The 10.8% ratio of our gold stock to money and deposits exists despite unbalanced budgets, and it exists against the total volume of our currency including that arising from the consequent monetization of much of the Federal debt. A balanced budget would tend to prevent a further expansion of currency, and it might contract the supply, against our gold stock. For these reasons among others a balanced budget, combined with the elimination of unnecessary expenditures, is highly desirable. But balanced budgets do not necessarily prepare the way for resumption of redemption. For example, beginning in 1866, under an irredeemable currency, the Federal budget yielded a surplus every year for over a decade. But redemption was not instituted until 1879. Our Federal budget was balanced—yielded a surplus—in 1947 and 1948, but that fact did not cause or invite any official move toward resumption of redemption.

When a nation's gold supply is adequate to support redemption, then resumption should be undertaken regardless of whether the budget is balanced. Resumption of redemption of nongold currency constitutes a pressure operating against the long continuance of profligate government spending and unbalanced budgets.

(b) Our government should be deaf to all arguments from abroad and domestically in behalf of another devaluation of the United States dollar.

(c) It should be the steadfast purpose of our government to restore and to maintain the independence of Federal Reserve bank policy from dominance by the President and the United States Treasury. Integration of fiscal and monetary affairs of necessity involves monetization of Federal debt; and monetization of government debt is an indefensible procedure. The performance by Federal Reserve banks of the functions of fiscal agents of the Treasury is both proper and desirable.

A sound program for demonetization of the Federal debt should be developed, and it should be pursued in a manner that will encourage, not depress, business enterprise.

Interest rates should be permitted to find their levels in free markets.

The major portion of the short-term Federal debt should be funded at rates which would induce nonbank investors to absorb it.

II.

Since the purpose of promoting exchange stability, maintaining orderly exchange arrangements, and avoiding competitive exchange depreciation among members of the International Monetary Fund has not been accomplished, and since the Fund has not been successful in eliminating foreign exchange restrictions and establishing a satisfactory multiple system of payments with respect to current transactions between members, we make the following recommendations:

(a) That the international clearing division of the Bank of International Settlements be developed and utilized as an international clearing house for the central banks of the world, with provisions that the currencies of all nations, including those not then on a fully redeemable gold standard, be cleared at their gold value.

(b) That the United States government call an international monetary conference for the purpose of establishing the proposed international clearing house.

International clearance of currencies should reduce the international demands for gold and facilitate eventual establishment of firm parities based upon full redemption in gold. The free exchange of currencies at their gold values should open up the exchange of goods and services throughout much or most of the world, revive prospects for profitable business, provide a renewed sense of freedom in contrast to its constriction under exchange controls, and give new life to the spirit of enterprise and personal responsibility.

With the establishment of an international clearing house for the clearance of currencies at their gold values, the functions and reasons for existence of the International Monetary Fund should be reexamined.

SIGNED

WILLARD E. ATKINS,
New York University.
JAMES WASHINGTON BELL,
Northwestern University.
DOUGLAS H. BELLEMORE,
Boston University.
H. H. BENEKE,
Miami University, Oxford, Ohio.
CLAUDE L. BENNER,
Continental American Life Insurance Co., Wilmington, Delaware.
ERNEST L. BOGART,
New York City.
FREDERICK A. BRADFORD,
Lehigh University.
WILBUR P. CALHOUN,
University of Cincinnati.
CECIL C. CARPENTER,
University of Kentucky.
ARTHUR W. CRAWFORD,
Chevy Chase, Maryland.
REV. BERNARD W. DEMPSEY, S. J.,
New Delhi, India.
*HARWOOD B. DOLBEARE,
University of Florida.
*JAMES C. DOLLEY,
The University of Texas.
WILLIAM F. EDWARDS,
Brigham Young University.
†D. W. ELLSWORTH,
S. W. Axe & Co., Inc., Tarrytown, N. Y.
FRED R. FAIRCHILD,
Yale University.
CHARLES C. FICHTNER,
Buffalo, N. Y.
*J. ANDERSON FITZGERALD,
The University of Texas.
ROY L. GARIS,
University of Southern California.
ALFRED P. HAAKE,
Economic Consultant, Park Ridge, Ill.
E. C. HARWOOD,
American Institute for Economic Research
WILLIAM F. HAUHART,
Dean Emeritus, School of Business Administration, Southern Methodist University.
GEORGE H. HOBART,
High Point College.
JOHN THOM HOLDSWORTH,
The University of Miami.
HAROLD HUGHES,
New Mexico Highlands University.
FREDERIC A. JACKSON,
Morgan State College.
EMIL KAUDER,
Illinois Wesleyan University.
‡DONALD L. KEMMERER,
University of Illinois.
§EDMOND E. LINCOLN,
Wilmington, Delaware.
A. WILFRED MAY,
Executive Editor, The Commercial and Financial Chronicle, N. Y. C.
ROY W. McDONALD,
Donovan, Leisure, Newton, Lumbard and Irvine, N. Y. C.
DAVID H. McKINLEY,
The Pennsylvania State College.
AUSTIN S. MURPHY,
Seton Hall University.
FRED R. NIEHAUS,
University of Colorado.
MELCHIOR PALYI,
Chicago, Illinois.
FRANK PARKER,
University of Pennsylvania.
W. A. PATON,
University of Michigan.
CLYDE W. PHELPS,
University of Southern California.
CHESTER A. PHILLIPS,
The State University of Iowa.
HELEN C. POTTER,
University of California.
*FREDERICK G. REUSS,
Goucher College.
O. H. RITTER,
College of the Pacific.
LELAND REX ROBINSON,
76 Beaver Street, N. Y. C.
OLIN GLENN SAXON,
Yale University.
*R. HARLAND SHAW,
Conference of American Small Business Organizations, Chicago, Illinois.
MURRAY W. SHIELDS,
University of Florida.
WALTER E. SPAHR,
New York University.
*WILLIAM H. STEINER,
Brooklyn College.
‡GILBERT R. STONESIFER,
Mt. Union College.
*CHARLES S. TIPPETTS,
Mercersburg Academy.
JAMES B. TRANT,
Louisiana State University.
EDWARD J. WEBSTER,
American International College.
G. CARL WIEGAND,
University of Mississippi.
EDWARD F. WILLETT,
Smith College.
MAX WINKLER,
Bernard, Winkler & Co., N. Y. C.

*Reservation as to Part Ia.
†Reservation as to Part IIb.
‡Reservation as to Part II.
§Numerous reservations.

With McGhee & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Anne G. Burford has joined the staff of McGhee & Company, 2587 East 55th Street.

With Wm. J. Mericka

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Margaret M. Barnes has been added to the staff of Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Opens Own Office

(Special to THE FINANCIAL CHRONICLE)

HAMILTON, Ohio—Mrs. Louise B. Joyce is engaging in a securities business from offices at 350 South D Street. Mrs. Joyce was previously with Westheimer & Co.

Continued from page 7

Prosperity by Inflation

an almost total price stability over the whole period the credit inflation of the twenties ended with the probably biggest deflationary crash of all time.

Thus "neutrality" of money cannot be judged without taking into consideration whether or not cost-lowering factors working simultaneously have counteracted the effects of money inflation on the price level. If they have, money is not "neutral" and the boom is inflationary in spite of price stability: It is an important criterium of an inflationary boom that entrepreneurs expand production under the impact of profit-margins increased by inflation. It must be irrelevant whether the increase has come about by higher prices with costs remaining stable or lower costs with prices remaining stable. The latter is just what happens in the case of "inflation without inflation." Costs decline through increased productivity of production factors—at least until these have not adjusted their demands fully to the change. And prices remain stable because demand expanded by inflation prevents them from declining in accordance with sinking costs.

"Inflation with price inflation" must at some time come to an end, in one way or another. "Inflation without price inflation" can no more go on forever than "inflation with price inflation." A credit system cannot expand indefinitely, if for no other reason than because every stimulus exhausts itself once. When inflation no longer progresses goods produced under the assumption of ever-rising demand become unsalable. Depression sets is.

Greater Production and Higher Employment During Inflation

If this is correct—and the experiences of the twenties seem to prove the accuracy of the statement—then also the popular argument that a higher bank money and currency circulation is justified and made innoxious by higher production, must be considered an error. It is due to thinking along the lines of a very crude quantity theory. If production increases with employment unchanged it is because the employed have become more productive and unit costs have thus declined. Declining costs lead in a non-inflationary environment to lower prices. If in spite of lower costs prices remain stable it can only be due to a simultaneous "inflation without inflation" not less dangerous than any other.

Nor does an increased labor force justify a higher quantity of money and/or a higher velocity of its turnover. In order to employ, say, 10% more labor at the same wages, entrepreneurs need 10% more funds—not taking into consideration the capital need to buy the material and the equipment to work on and with. If such funds are provided by newly created money, this means inflation, even if through a rising productivity, prices remain stable on the markets where the new money is spent. The inflation profits mentioned about and all their consequences will thus appear in spite of an increased labor force. Although this fact will hardly be grasped by our inflation-minded generation: The labor force can be increased without recurrence to inflation only if either genuine saving furnishes the funds necessary to pay and equip the workers, or if wages are reduced as the number of employed increases.

Every Cycle Is Inflationary

There is nothing astonishing in the serious credit and money inflation experienced since 1949. Credit and money inflations are—this is the essence of all so-called monetary business cycle theories—if not the sufficient reason then the necessary condition for every cyclical upswing. But this does not solve the question whether the present inflationary prosperity is not, or has not already been, moving for some time, above what could be called the trend-line of long-term economic growth.

The decision on whether this is the case or not depends on the judgment where and when the boom would collapse anyway. The middle of a way can obviously only be determined after the length of the whole way is estimated. Such an estimate is, however, as mentioned, wholly subjective and dependent on the business cycle feeling the "*Konjunkturgefuhl*" of the individual observer.

I can therefore, in the following, give only the reasons why, in my own opinion, any further increase of bank credits should be prevented by all means, and why even some reduction in the present level of inflation should be aimed at.

As already mentioned, entrepreneurs decide during the upswing to expand their production mainly under the impact of extra profits resulting from inflated demand. If production is to be expanded new loans have to be asked for and granted. This brings new money into circulation; with the result that demand for the products coming to the markets is again higher than expected. A new impulse to expansion is given—*la hausse amene la hausse*, as the French say.

This situation can still be regarded as sound as long as expectations of future prices are based on what has happened in the past on the markets. But after a certain time entrepreneurs having experienced over and over again—maybe for years—that demand turns out to be stronger than expected, begin to reckon with a permanent repetition of such favorable developments. They plan and carry out investments meant to meet an ever-increasing demand. The result is a still stronger inflation. The boom is now carried forward by a sort of mass psychological infection to the optimistic side.

This is just what is happening nowadays. The 13 prewar, war, and postwar years with their almost uninterruptedly increasing demand, seem to have rendered entrepreneurs unable to believe that this increase can one day stop or be reversed.

In such a psychological situation enterprises are founded or expanded although the new plants can only show profits within an inflationary environment. Again this is just what, to my mind, has happened during the last years. This cannot of course be proved objectively as long as the boom lasts. It is only after the collapse that it becomes clear which of the new investments have been mistakes. But we should consider that abnormally high break-even points were allowed to develop even in the best situated enterprises which, incidentally, will have to be corrected through a painful cost-price adjusting process. This strongly suggests that many marginal ventures have been undertaken, which will have to be liquidated.

To summarize my diagnosis: There is no doubt in my mind that since about a year or so we have entered already what may turn out to have been the later and critical phase of the upswing. Comparing the present postwar boom with the postwar boom 1921-29, I believe the year 1952 can be considered as roughly corresponding to the years 1926 or 1927.

Business Cycle Consciousness

To such a pessimistic prognosis it is often objected that entrepreneurs are in fact on the average not over optimistic nowadays; that they do not expect demand to stay high indefinitely. Now, there is indeed a profound difference between the situation of today and the one of the twenties. Whereas at that time the "new era" idea of eternal prosperity prevailed, our generation of entrepreneurs has learnt the hard way that there is nothing like an eternal prosperity. It has grown business-cycle conscious. And this cycle consciousness has indeed prevented the boom until now becoming excessive.

However, if we analyze closely what can be called the present general opinion, we see that in fact people anticipate the coming of a depression, but that they are also convinced that it will only be a very short and mild one. In other words, it is expected that demand will only lack in the short and not in the longer run. Consequently, entrepreneurs seem in fact in the aggregate not to be over-optimistic in their decisions for the nearer future. They watch, for instance, very carefully whether inventories are not excessive. But for the more remote future their decisions are by no means based on pessimism. They are committing themselves to long-run investments that seem warranted only under the assumption of a permanently expanding demand. In short, entrepreneurs are adjusting to a mild and short, but not to a long drawn out and severe depression.

But in the last few weeks even a short and mild depression seems no more to be envisaged. The fact that the depression expected by many already for 1951 and then for 1952 has not materialized until now has not only induced the forecasters to postpone the day of reckoning farther into the future, after the future has approached, it has also induced some of the official and semi-official forecasters to postpone the moment of the depression at *Calendas Graecas*. Already a new "new era" slogan allegedly justifying permanent optimism is beginning to appear. We hear of the "inherent strength of American economy," of "increasing needs of a growing population," of "consumer needs being really unlimited if only newer and better products are offered." In short, people are quite slowly forgetting the lessons of 1929. Expectations turn again toward an "eternal prosperity."

Objections to a Restrictive Money And Credit Policy

A really restrictive money and credit policy will of course be met by many with strong resistance.

They are first those eternal sceptics who, as they did during the strongly inflationary first postwar boom, doubt that a higher interest rate would have the desired counter-inflationary effect. They can pride themselves on having until lately prevented even the weakest attempt to curb inflation "indirectly" rather than artificially through price ceilings, rationing and so on. Interest rates have become somewhat flexible during 1952, although only on a homeopathic scale. The effect of even this slight departure from permanent easy money may have, or should have, convinced the easy-money economists of the effectiveness of higher interest rates as an anti-inflation weapon.

Nor can it be argued that while higher interest rates may have been effective during the first postwar boom when investments in the private sector increased rapidly, they cannot be successful in times when government and industry spend huge amounts directly or indirectly for armament. It is correct that such spending is insensitive to changes in the interest rates. But during the last years a tremendous amount of long-term investments have been going on in the private sector quite independently of rearmament. Such long-term investments—most sensitive to change in interest rates—could and would have been deferred into the future under the impact of high interest rates. But the will really to curtail credits was lacking, as clearly shown by the fact that restrictions on consumer credits were loosened and the construction boom kindled rather than dampened.

Another objection to an anti-inflationary money and credit policy — paradoxially often advanced by the same economists—contends that such a policy would, on the contrary, be too effective, that once deflation started "no one knows how far it will go." To this we shall only reply that it is still much easier to stop a so-called secondary inflation if the boom is curtailed voluntarily before it has become too excessive, than when it has been allowed to run unhampered to the inevitable collapse.

Many other objections, mostly concerning the debt management are heard. The allegedly strongest argument against a deflationary or even anti-inflationary policy is, of course, that such a policy would be incompatible with the full employment policy to which the government is committed. Conservative economists agree of course on the paramount importance of avoiding unemployment. But they do not agree with the Keynesian way of achieving full employment. There are obviously two ways. Keynesians analyze the economy in terms of "effective demand" only. They naturally conclude that only by preventing monetary demand from declining from high levels can full employment be maintained. Full employment on a lower level of montary demand is, as they consider wages as fixed, unthinkable and a restrictive money policy therefore taboo to them. Conservative economists analyze an economy in terms of demand and supply. They believe that at every level of monetary demand full employment can be maintained if only the supply prices of the factors of production are adjusted to the price level. To them the propensity to work and not the propensity to spend is the foundation of full employment for any length of time.

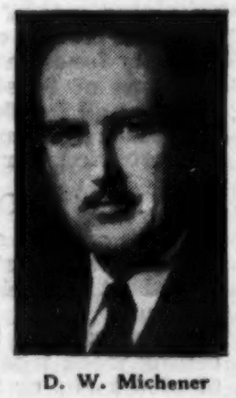
In an economy having been doped through the poison of inflation for 20 years a sort of stabilization crisis with some unemployment could of course develop. But it should prove, as all stabilization prices, as of very short duration. To endure it means to pay the price for the avoidance of further inflation and the crash that looms at its end.

The most serious hindrance to a sound money policy that would brake a boom voluntarily in time is, of course, that such a policy is extremely unpopular. Great courage and fortitude are required from those who wish to adopt it. It is much easier to let things run and to represent the inevitable deep depression following an exaggerated boom as an unavoidable fate under the unholy capitalistic system; and then to cry for government intervention.

Balanced Budget Seen Nation's Prime Need

Dwight W. Michener, Director of Research, Chase National Bank of New York, says reducing tax load and revising faulty tax laws are less urgent than balancing receipts & expenditures

A balanced budget should come ahead of tax reductions, Dwight W. Michener, Director of Research, the Chase National Bank, New York, told industrial relations executives that attended the opening panel session of the American Management Association's national personnel conference at Chicago, Ill., on Feb. 16.



D. W. Michener

The over-all tax take of the Federal Government needs to be sharply reduced, Mr. Michener declared, and certain taxes need to be eliminated, notably the Excess Profits Tax, which "penalizes the efficient business, causes extravagant expenditures, and is unfair to business concerns that are growing rapidly and have irregular income one year against another." Nevertheless, he said, reducing the tax load and improving the quality of tax laws and the incidence of the tax burden are less urgent than "the primary consideration, our need for a balanced budget."

The major force of the postwar boom "may be largely behind us," according to Mr. Michener. He pointed to five conditions indicating a slackening in the pace of activity:

(1) The past few years have had more than their share of plant expansion and residential building, suggesting that leaner years are ahead.

(2) The increase in inventories since the war has been larger than that which may be expected in the future.

(3) Total debt, including Federal, state and local government along with private debt, has increased at a faster rate than national income.

(4) Consumers and home owners have committed substantial amounts of future income to current purchases.

(5) Our exports have been at a rate which may prove to be too high to be continued under present world conditions.

Mr. Michener warned against "further stimulants" by government, "which would carry these developments to even greater extremes." In particular, he argued against continued increase in the money supply, which "has expanded much faster than has the production of goods and services," largely as a result of Federal borrowing from commercial banks. The future influence of government finance on the money supply depends, he said, on the ability of the government to balance its budget and on the method of borrowing and the means of carrying the Federal debt. In recent years, he pointed out, short-term debt has become an increasingly large proportion of the total.

If "present abnormalities are to be reduced so that later difficulties are to be minimized," Mr. Michener declared, "four administrative policies are of particular importance." First, he said, the Administration should balance its budget and reduce the Federal debt. Secondly, it should retain a flexible credit policy which adjusts to "the needs of trade." Third, the increase in short-term debt obligations should be terminated. However, as a fourth policy, he suggested that "sudden and drastic action is not desirable. Errors of the past cannot be corrected by sharp reversals of recent policy."

Administration's Budget Task

February issue of "Monthly Bank Letter," publication of the National City Bank of New York, says election pledge to cut government spending drastically will be a formidable job, and there is no warrant for assuming eliminating projected $10 billion deficit can be accomplished painlessly.

In a discussion of the Federal budget for the fiscal year 1954, the February issue of the "Monthly Bank Letter," published by the National City Bank of New York, points out difficulties facing the new Administration in carrying out its election pledges to cut government spending drastically and "so to make a start toward reducing taxes."

"According to the timetable announced during the campaign," the "Bank Letter" states, the immediate goal was a budget trimmed to around the $70 billion level in fiscal '54. To achieve this objective means, on the basis of the Truman budget, cutting out $8½ billion of projected expenditures, representing in many cases programs which have been in operation for years, and doing so in a matter of months by an Administration which has just come into office and by a new party leadership in Congress. While some of the Republican leaders have continued to express confidence that this can be done, the new Director of the Budget, Joseph M. Dodge, has been more guarded in his comments and cautioned the press and the public not to expect any '60-day miracles.'

"The fiscal problem is made more acute by the fact that a number of the tax increases voted in 1950 and 1951 following Korea will automatically terminate over the next 18 months. These include the expiration on June 30, 1953 of the corporation Excess Profits Tax, on Dec. 31, 1953 of the temporary increases in the personal income taxes, and on March 31, 1954 of the temporary increases in the regular corporation income tax and in excise taxes. While the effect of these tax terminations was allowed for in the Truman budget for 1954, the estimated reduction of revenues for that year was only around $2 billion, whereas the reduction in a subsequent full year was placed at about $8 billion.

"On the other hand, it is well to bear in mind the tendency of recent budgets to over estimate expenditures. For example, just a year ago when President Truman first presented his budget for fiscal 1953 he estimated expenditures at $85.4 billion. This was lowered last August to $79 billion and again last month to $74.6 billion—a total reduction of almost $11 billion. Reflecting mainly these successive downward revisions in expenditures, the indicated deficit was cut from an original $14.4 billion to $5.9 billion.

"There is also the possibility that tax yields may have been underestimated, both because of the marked upswing that has taken place in general business activity, and because the statutory lowering of tax rates may not result in as great a loss of tax revenues as estimated. The latter applies particularly to the projected loss in revenue from termination of the Excess Profits Tax, the elimination of which would encourage better control of business expenditures and thereby raise the operating income subject to the regular corporation income taxes. These rates remain at 52% until April 1, 1954, and at 47% thereafter.

"There is no warrant, however, for sitting back with the easy assumption that trimming $8½ billion from expenditures in 1954, and eliminating the projected $9.9 billion deficit, can be accomplished painlessly. Achieving the goal is possible but it will take thorough-going, intelligent work to find where cuts are justified, and courage to make them.

"National defense and international aid, by virtue of their overwhelming share of the budget and mushroom growth, offer the greatest possibilities. Extravagance and waste in the military services are proverbial, and testimony from innumerable sources is constantly exposing new examples of shortcomings. Red tape, traditionalism, interservice rivalries proceeding from lack of real unification, and just plain prodigality are still handicapping efficiency in many directions, despite earnest efforts by conscientious administrators and officers to tighten up. President Eisenhower is himself authority for the statement that defense expenditures are where the greatest savings can be made, and that they can be accomplished without reduction of defensive power. Reaching this dual objective will provide a severe test of the ability of the new Administration and of Congress to carry out wisely and effectively their pledges of economy."

Continued from page 5

The State of Trade and Industry

than 1.2 million new cars to domestic dealers in the first quarter of this year—the best output since the first quarter of 1951, when about 1.5 million went to dealers. A few weeks ago "Ward's" said the industry was scheduling "possibly 1.4 million" cars for the current quarter.

Although auto production was down only about 1% last week, "Ward's" called the results "rather gloomy." But it noted production of General Motors Corp. divisions as a "bright spot." Chevrolet's output rose 2,000 over the previous week as this division worked Saturday. Pontiac, Oldsmobile and Cadillac also had higher volume.

Steel Output Holds Steady at Previous Week's Rate

When you wonder why steel demand continues so strong, look at the automobile industry, says "Steel," the weekly magazine of metalworking.

The nation's biggest consumer of finished steel uses one-fifth of the output and is aiming to produce 486,000 passenger cars in February, a short month. In the long month of January, the output was only 465,745 units. The February projection even tops the 1952 high of 479,938 in October, states "Steel."

Such an ambitious projection takes a lot of steel. The pressure of demand for automotive steel should level out, however, this month, for auto production should have attained its full stride, it notes.

Growing steel production, made possible by the expansion in steelmaking capacity helped soften the blow of this intense demand from the auto industry, this trade weekly asserts.

High steel production is continuing, and in the week ended Feb. 14, steelmaking furnaces were operated at 99.5% of capacity, or a 2-point recovery from the preceding week when a five-day strike hit a Chicago district steel producer. Though it was brief, that strike was costly to users of bars for civilian purposes. Of all products, bar rolling schedules were hit hardest. Customers for some sizes of bars have been notified delivery dates must be delayed a month, this trade magazine points out.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 99.7% of capacity for the week beginning Feb. 16, 1953, equivalent to 2,248,000 tons of ingots and steel for castings. In the week starting Feb. 9, and for the like week a month ago the rate was the same. A year ago when the capacity was smaller actual output was 2,098,000 tons, or 101.0%.

Electric Output Improves Over Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Feb. 14, 1953, was estimated at 8,147,461,000 kwh., according to the Edison Electric Institute.

The current total was 18,423,000 kwh. above that of the preceding week when output totaled 8,129,038,000 kwh. It was 707,694,000 kwh., or 9.5% above the total output for the week ended Feb. 16, 1952, and 1,242,238,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Continue Downward Course

Loadings of revenue freight for the week ended Feb. 7, 1953, totaled 690,744 cars, according to the Association of American Railroads, representing a decrease of 6,872 cars or 1% below the preceding week.

The week's total represented a decrease of 43,175 cars, or 5.9% below the corresponding week a year ago, but an increase of 117,535 cars, or 20.5% above the corresponding week in 1951, when loadings were reduced by a strike of railroad switchmen.

United States Auto Output Eases Due to Strikes and Material Shortages

Passenger car production in the United States last week declined about 1%, due to strikes and material shortages, according to "Ward's Automotive Reports."

It aggregated 114,280 cars compared with 115,643 cars (revised) in the previous week. This was still 43% more than the 79,914 cars turned out in the year ago week.

Total output for the past week was made up of 114,280 cars and 22,658 trucks built in the United States, against 115,643 cars and 22,089 trucks the previous week and 79,914 cars and 25,566 trucks in the comparable 1952 week.

Canadian plants turned out 8,248 cars and 1,870 trucks against 7,253 cars and 1,824 trucks in the prior week and 3,459 cars and 2,882 trucks in the comparable 1952 week.

Business Failures Show Sharp Rise

Commercial and industrial failures rose to 200 in the week ended Feb. 12 from 159 in the preceding week, Dun & Bradstreet, Inc., states. Reaching the highest level since May 1950, casualties exceeded the 125 which occurred in the comparable week of 1952 and the 1951 total of 165. However, they remained below the pre-war toll of 293 in 1939.

Failures involving liabilities of $5,000 rose sharply to 170 from 126 last week and were considerably more numerous than a year ago when 98 concerns of this size succumbed. Among small casualties, those with liabilities under $5,000, there was a dip to 30 from 33 in the previous week but they were a little above the 27 recorded in the similar week of 1952.

Most of the week's increase was concentrated in retail trade where failures rose to 108 from 77 and in construction was 26 as against 15 a week ago. Little change occurred in other lines. More businesses failed than last year in all industry and trade groups except service. The rise from 1952 was notably sharp in trade, both wholesale and retail, and in manufacturing.

Geographically, the Pacific, New England and West South Central States were largely responsible for the heavier mortality. In the Pacific States, casualties jumped to 66 from 30, in New England to 17 from 5 and in the West South Central to 8 from 4. Slight dips took place in five other regions, with the Middle Atlantic toll dipping to 72 from 74, and the South Atlantic to 11 from 14. All regions except the Mountain States had more casualties than a year ago.

Wholesale Food Price Index Registers First Advance In Four Weeks

Rebounding from last week's sharp downward movement, the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., rose 6 cents this week to stand at $6.19 on Feb. 10. This marked the first advance in four weeks. The current number compares with $6.57 on the corresponding date a year ago, or a drop of 5.8%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Commodity Price Index Moves Sharply Downward To Lowest Point Since Mid-July 1950

Largely due to the severe downtrend in grains, the daily wholesale commodity price index, complied by Dun & Bradstreet, Inc., dropped sharply toward the close of last week to the lowest level since mid-July, 1950. The index funished at 276.55 on Feb. 10, comparing with 278.63 a week earlier, and with 304.58 a year ago.

Grain markets were very unsettled in the week ended Feb. 10. Heavy liquidation on Friday and again on Monday of that week resulted in sharp declines which carried all grains to new lows for the season.

Wheat led in the general downward movement which followed reports that the Commodity Credit Corporation was offering wheat for export at prices very competitive with exporters' offerings abroad.

Other depressing influences which have been overhanging the market for some time included large domestic supplies, continued slow flour trade and improving crop prospects in other exporting countries. There was a moderate export business reported in both wheat and corn but the latter had to contend with continued marketings of low quality Government corn. Average daily purchases of all grain futures on the Chicago Board of Trade the past week totalled 41,200,000 bushels, against 41,500,000 the week before and 54,900,000 in the same week a year ago.

Flour prices turned slightly lower in late dealings; domestic bookings of hard wheat bakery types continued at a very conservative pace. Cocoa prices weakened under commission house and trade selling, prompted by easiness in the London market and declines in other commodities.

Coffee was one of the few commodities to advance in the week, with strength attributed to the prospect of the end of price controls.

Lard was mostly steady to firm, reflecting a strengthening trend in live hog markets which was influenced by a sharp curtailment in receipts.

Spot cotton prices were steady most of the past week but trended mildly lower toward the close. Early support was attributed to price fixing, some improvement in the goods market, and propects of a higher loan rate next season. The decline in late dealings was largely influenced by liquidation and selling prompted by the marked weakness in grains. The parity price for cotton in mid-January was 34.22 cents a pound, up slightly from 34.10 a month earlier. Reported sales in the 10 spot markets deceased moderately from a week previous. CCC loan entries in the week ended Jan. 30 totalled 142,100 bales, as compared with 121,800 bales the previous week, and 200,000 bales two week earlier.

Demand for lead showed some improvement at the week-end, reflecting a firmer trend in foreign markets. Prices were firm following a decline of one-half cent a pound early in the week. The continued slow demand for zinc resulted in a further drop of one-half cent a pound to the lowest level since July 1950.

Trade Volume Enjoys Slight Rise Stimulated by Reduced Price Promotions

Encouraged by many reduced-price promotions, shoppers increased their spending slightly in most parts of the nation in the period ended on Wednesday of last week. Although most merchants chalked up larger sales figures than in the comparable week a year ago, the number reporting year-to-year declines was much larger than in recent months. The less favorable comparisons with a year ago continued to appear in some large Eastern cities where the shift of shoppers to the suburbs was quite pronounced.

Some merchants felt that the unprecedented volume of consumer debt was depressing current sales volume.

The total doller volume of retail trade in the week was estimated by Dun & Bradstreet, Inc. to be from unchanged to 4% higher than the similar week a year ago. Regional estimates varied from the comparable 1952 levels by the following percentages: New England —1 to +3; East —3 to +1; Midwest 0 to

+4; Northwest +1 to +5; South and Southwest +2 to +6; Pacific Coast +3 to +7.

Spring apparel became increasingly popular in southern sections of the nation the past week and drew more interest than in the corresponding week last year. Women's suits and dresses steadily gained attention. Special promotions for St. Valentine's Day spurred the buying of accessories, sportswear and small items of apparel. More shoes were sold than in either the prior week or the comparable 1952 week.

The widely promoted price reductions in food helped many merchants to boost their volume last week. Despite the price dips, most food merchants equally or bettered their sales figures of a year before. Housewives favored the beef cuts and hams; poultry and lamb slipped in popularity.

Retailers of household goods sold about as much as during the preceding week and slightly more than in the similar week in 1952. However, shoppers' interest was not quite as avid as it was two years ago.

As many merchants prepared for the new selling season, trading activity in most of the nation's wholesale markets in the period ended on Wednesday of last week continued close to the quickened pace of recent months.

The dollar volume of wholesale orders remained slightly higher than that of a year earlier despite the year-to-year drop in prices.

Orders for many goods were at the highest levels yet attained at this time of the year. Total business inventories remained moderately above the year-ago level with the most pronounced rises scored by manufacturers; stocks held by wholesalers were generally slightly smaller than a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Feb. 7, 1953, increased 1% from the level of the preceding week. In the previous week an increase of 2% was reported from that of the similar week of 1952. For the four weeks ended Feb. 7, 1953, an increase of 2% was reported. For the period Jan. 1 to Feb. 7, 1953, department store sales registered an increase of 1% above 1952.

Retail trade in New York last week declined about 6% below that of the like 1952 week, trade observers estimate.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Feb. 7, 1953, declined 7% from the like period of last year. In the preceding week a decrease of 1% (revised) was reported from that of the similar week of 1952, while for the four weeks ended Feb. 7, 1953, a decrease of 2% was recorded. For the period Jan. 1, to Feb. 7, 1953, volume declined 4% under that of 1952.

Public Utility Securities

By OWEN ELY

Review of the Electric Utility Industry in 1952

Preliminary statistics for the electric utility industry for the calendar year 1952 are now available in the annual statistical number of the "Electrical World," dated Jan. 26. Fischer Black, Editor of the magazine, has also discussed the figures in a talk before the New York Society of Security Analysts. Final data, as compiled by the Edison Electric Institute and the Federal Power Commission, will appear later in the year.

The amount of new capital raised by private electric utilities in 1952—over $1.7 billion—was about 18% greater than in 1951, and probably represented a new record high. About $1.1 billion of long-term debt was issued, $201 million preferred stock, and $436 million common stock. However, about $2.6 billion was actually expended for construction, some $900 million being obtained from depreciation accruals, amortization charges, retained earnings, etc. Public power agencies spent about $1 billion on construction in 1952 (the Federal Government contributing some $700 million) making the U. S. grand total $3.6 billion.

Sales of electricity (kwh) gained 7.8% in 1952. However, residential sales, the most profitable part of the business, increased 13.0% while rural gained less than 1%. Commercial (small light and power) increased 8.5% while industrial sales, handicapped by the steel strike, increased only 6.1%. Since industrial sales amount to nearly half of the total, the smaller gain in this category held back the total increase.

On the production side, hydro output increased only 6.5% while steam generation gained 8.2%. Rainfall conditions varied considerably during the year. California had plenty of water, while the northwestern states suffered a drought until late in the year. In other important hydro areas such as the southeast and northeast conditions were generally good in the first half of the year but were less favorable in the second half, particularly in the southeast.

The increase in kw capacity ("capability" in some cases) showed an estimated overall gain of only 6.8% in 1952, somewhat smaller than had been planned, probably due to delays in obtaining materials. The increase in physical capacity was less than the increase in construction expenditures, indicating that higher unit costs were encountered.

The electric utility companies were fortunate with respect to fuel consumption in 1952. The amount of coal burned increased only 1.2%, considerably less than the 8.2% increase in fuel-generated output. There was a saving of 6% in the amount of coal burned to produce one kwh—1.10 pounds compared with 1.17 pounds in 1951. With the most efficient units now producing one kwh with only about 7/10 pound of coal, there is considerable room for further improvement as modern plants supersede obsolete facilities.

Of course oil and gas are also used as fuel in steam generating plants; last year the amount of oil burned decreased about 1% while gas increased more than 18%. The trend toward use of gas may be retarded somewhat in the future by the rapid rise in the cost of gas at the well, although gas remains a very cheap fuel in the south, and is also used for boiler fuel when available in the north.

The electric utilities also benefited by increasing the number of their employees only 1.4% last year, which helped to offset the wage increases quite generally granted.

The number of customers increased only moderately in 1952; residential gained 1.2%, rural 2.5%, commercial 1.9% and industrial—surprisingly—4.4%. The fairly large gain for the latter perhaps reflected the tendency to decentralize industry by building large numbers of small factories, many located in smaller communities.

Net income of the electric utilities for 1952 approximated $934 million compared with $822 million in 1951, and dividends were $718 million vs. $658 million. The proportion of the revenue dollar available for dividends and surplus was 16.8%, larger than in 1951 but smaller than in most years of the past decade.

The industry is still planning to expand rapidly through 1956. 1953 construction expenditures will reach $4.2 billion, it is estimated by the "Electrical World" an increase of about 14% over 1952. Expenditures for hydro capacity are expected to decline, while steam facilities will be increased substantially. Over half of the increase in hydro generation will continue to be on the Pacific Coast.

Continued from page 2

The Security I Like Best

competitive as far as prices are concerned.

Servel's management believes its program of new product development is approximately 70% completed and for the first time it can now offer a comprehensive line of air-conditioning equipment for all markets. Another new product is expected to be offered early this year representing a combination heating and cooling unit of two-ton capacity, gas fired, for installation in small houses in the $10,000 to $15,000 price range. The building industry, in an effort to maintain its recent rate of around 1,000,000 new housing starts per annum, is coming around to the belief that something new will have to be added in order to stimulate sales at this relatively high rate and it is believed that this could be air-conditioning. Builders have estimated that the cost of adding all year air-conditioning systems should be no more than 10% of the selling price of a house up to $15,000. Servel's engineers estimate they can install their equipment in houses of this type for a maximum of $1,200 and builders of large housing projects believe there will be a big demand for new homes with this equipment. Up until now there have been only a relatively few new low priced homes built with year round air-conditioning but looking ahead two to five years, it is estimated that there could be an annual sales potential of around 250,000 new dwellings having year round air-conditioning systems. In the higher priced homes, ranging from $18,000 to $40,000, a three-ton unit would be necessary and it is estimated a seven-room house in the New York area would cost close to $2,000 including installation charges. These year round units can be operated either on oil or gas, depending on the cost advantage. In some areas of the country, gas is by far the cheaper fuel. With regard to some of the bigger installations of five-ton capacity and upwards, the lowest operating cost in Manhattan is derived from the New York Steam Corporation service.

Under present crowed operating conditions at the company's plants, which cover some 80 acres at Evansville, Indiana, Servel does not have room to manufacture its line of home freezers. These are produced on the outside using the Servel compressor, and it is believed that once company's defense business is curtailed or terminated, it will have ample use for this extra space to take care of its accelerating rate of production of its regular commercial products.

Servel has been fortunate in the kind of defense contracts that it has secured. The Republic Thunderjet airplane, for which Servel builds all its wing requirements, is being produced in substantial volume. The Air Force recently stated that Servel is now the largest producer of military airplane wings in the world. It is expected that the large scale wing production program at Servel will extend well into 1954 at least. Company's contracts have been increased both for aircraft items and other important defense products, such as ordnance material, etc. The company is currently shipping wings to Republic at the rate of around of $12,000,000 per month which probably represents the maximum amount under this contract. However, it is estimated that volume in 1953 for aircraft wings alone may approximate $100,000,000. Servel has an agreement with the Government as to the basic principle of profit margin on this business and while earnings will be subject to renegotiation, the net result should continue to be profitable. It is expected that wing production activity will begin to drop in February from the peak output attained in recent months. However, tooling and other preparation has been underway for more than a year on a new and different type aircraft wing for the new Republic Thunderstreak fighter plane. This new wing will go into production at about the time the company completes its present contracts for wings for Republic's Thunderjet airplane.

While earnings have shown an irregular trend in the past, profits have been reported each year since 1937 with the exception of only two years, and dividends have been paid each year since 1935. Peak earnings were shown in the 1948 fiscal year and following changes in management in 1949, and character of output, together with distribution changes which resulted in two poor years, earnings now appear to be heading upward which I believe will carry into record high ground. Sales in the fiscal year ended Oct. 31, 1952 were at a record high and earnings were equal to 85 cents per share. However, it should be noted that this final showing was after reporting a loss in its first fiscal quarter, and earnings in its fourth fiscal quarter were at the annual rate of about $2.50 per share. Management believes that sales in the present fiscal year may approximately double last year's total and a profit is expected to be shown for its first fiscal quarter for the first time in some years. The possibility of the company earning around $2.50 per share in the present fiscal year and establishing a regular quarterly dividend rate makes the issue appear to be one of the more attractive stocks in the air-conditioning field which seems to offer possibilities of dynamic growth over the next year or so. The issue is priced substantially below its former high when it sold at 24⅜ in 1946 and 34⅝ in 1944.

Koch Vice-Pres. of The Marshall Co.

MILWAUKEE, Wis.—The Marshall Company, 765 North Water Street, announce that Otto J. Koch, Jr., Manager of their trading department, has been elected Vice-President.

Mr. Koch has been associated with The Marshall Company for many years and is the outgoing President of the Milwaukee Bond Club.

In celebration of Mr. Koch's election and in keeping with a practice of many years, W. H. Marshall acted as host to about 50 out-of-town guests at a cocktail party at the Milwaukee Club preceding the annual dinner of the Milwaukee Bond Club.

Phila. Secs. Assn. Announces Committees

PHILADELPHIA, Pa.—William A. Lacock of E. W. Clark & Co., President of the Philadelphia Securities Association, has announced the appointment of various committees of the Association to serve for the year 1953.

The Membership Committee is headed by Franklin L. Ford, Jr., of E. W. Clark & Co. as Chairman. Other committee members are Paul W. Bodine, Drexel & Co.; Arthur S. Burgess, Biddle, Whelen & Co. and William V. McKenzie, Paine, Webber, Jackson & Curtis.

William T. Poole and Orrin V. Boop, both of Schmidt, Poole, Roberts & Parke, were named co-chairmen of the Arrangements Committee. Reception: Lawrence B. Illoway, Aspden, Robinson & Co.; Frank Lester Smith, Wurts, Dulles & Co. and Spencer D. Wright, 3rd, Wright, Wood & Co. Golf Putting and Kickers: Russell M. Ergood, Jr. and Theodore E. Eckfeldt both of Stroud & Co., Inc. and Harold E. Scattergood, Boenning & Co. Entertainment and Bridge: Llewellyn W. Fisher, Sheridan, Bogan, Paul & Co.

Publicity: John D. Foster, Studley, Shupert & Co. Prizes and Stock Exchange: Edmund L. C. Swan and Harold F. Carter, both of Hornblower & Weeks; Linford B. Cassel, Jr., Schaeffer, Necker & Co.; Clifford C. Collings, Jr., C. C. Collings & Co.; Russell M. Ergood, Jr.; Lewis P. Jacoby, Jr., Thayer, Baker & Co.; John A. Nigro, Jr., Hallowell, Sulzberger & Co.; Robert F. Powell, Kidder, Peabody & Co.; Daniel J. Taylor, Woodcock, Hess & Co. and Spencer D. Wright, 3rd.

The Public Relations Committee consists of John D. Foster, Chairman; Franklin L. Ford, Jr., L. Lawrence Griffiths, DeHaven & Townsend, Crouter & Bodine and E. Howard York, 3rd., Doremus-Eshleman Co. Educational Committee: Francis M. Brooke, Jr., Brooke & Co., Chairman; Reeves Bunting, Kidder, Peabody & Co. and George T. Francis, Jr., Swain & Co., Inc.

The Speakers Committee comprises: Raymond E. Groff, Brown Brothers, Harriman & Co., Chairman; Frank Bailie, Philadelphia Saving Fund Society; A. G. Cederstrom, Penn Mutual Life Insurance Co.; John F. Erdosy, Insurance Co. of North America; G. Budd Heisler, Central-Penn National Bank; John Pettit, A. C. Wood, Jr. & Co. and Lawrence Stevens, Hemphill, Noyes & Co.

Directory Committee: Lewis P. Jacoby, Jr., Chairman; Raymond E. Groff and Theodore M. Hughes, Standard & Poor's.

Manning & Merwin Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Edmund L. Merwin, Jr. and Arthur L. Manning have formed the partnership of Manning & Merwin with offices at 127 Montgomery Street to engage in a securities business.

Joins Smith, Clanton

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Robert Perrin has become affiliated with Smith, Clanton & Co., Southeastern Building.

Mutual Funds

By ROBERT R. RICH

BASIC GROWTH trends, with particular attention to per capita trends in consumption, are discussed in the current "Perspective," Calvin Bullock's economic publication. Studying the 1929-50 period, these seven industry groups were found to have made the largest per capita growth in consumption: aluminum, rayon, electric power, sulphur, petroleum, rubber and paper products. All exceeded the average, represented by the Gross National Product in constant dollars.

"A better-than-average growth rate in an industry," "Perspective" states, "would seem to be required for better-than-average long-term market preformance of its equities. However, market performance within the better-than-average category seems primarily dependent on factors such as capitalization, expansion requirements, profit margins and other factors which affect corporate profits."

Measured by price change during the period of the past 15 years, the industry groups rank in this order: paper, rayon, rubber, petroleum, aluminum, chemicals and electric power. These groups surpassed the industrial stock index in price increase.

Per capita consumption of the leading industry groups is shown in the following table:

	1929	1950	1951
Rayon (lbs.)	10.9	89.4	73.2
Aluminum (lbs.)	1.9	13.8	14.5
Elec. Power (kw hrs.)	757.0	2175.0	2950.0
Sulphur (long tons)	1.3	2.7	3.0
Petroleum (bbls.)	7.7	15.7	17.2
Rubber (lbs.)	12.6	22.9	22.9
Paper and Board (lbs.)	220.2	382.5	362.1
Gross Nat'l Product*	705.0	1021.0	1095.0

*1939 Dollars.

"Perspective" describes how industries generally go through four phases, the first being a period of slow development as markets are found and technological development reduces the price. This is often followed by a period of fast growth as a result of a product creating an entirely new demand or rapidly replacing a competing product. The third phase is normally one of slower but steady growth in per capita use while the fourth phase occurs when per capita demand for a particular industry's output slows down under the impact of competition or technological changes.

From its study "Perspective" draws the moral that investment decisions are complex and there is danger in selection purely on growth outlook, no matter how glamorous this may be.

THE ASSET VALUE of Whitehall Fund's shares increased to $19.64 at the end of 1952, up from $18.89 one year earlier even though a distribution of 31 cents per share from realized gain on investments was made at the end of the year. When that distribution is included, the increase in asset value amounted to 5.6%, the report noted.

Whitehall Fund's shares have increased in asset value in every year since the Fund began operations on March 31, 1947. The initial asset value was $15.00 per share. This value increased 30.9% to $19.64 in the next 5¾ years and during this period $2.00 per share was distributed to shareholders from realized gain on investments. Adding back this $2.00 distribution, shareholders have had a 44.3% gain in asset value since the Fund first started. This growth was achieved with about 50% of net assets held in cash or senior securities at all times and with advantageous use of convertible securities.

Francis F. Randolph, Chairman of the board and President of Whitehall Fund, described the Fund's investment character by saying that its primary objective is to provide in one security a rounded investment program embracing bonds, preferred stocks and common stocks. Bonds and preferred stocks are used to provide relative stability of shareholders' capital and to buttress investment income. Common stocks are used to augment income and to provide possibilities for growth of both income and capital values. Whitchall Fund has established a good record of investments results in its 5¾ years, viewed in the light of this essentially conservative objective, Mr. Randolph stated. Net assets of Whitehall Fund increased to $2,693,573 at Dec. 31, 1952. This compares with $2,215,740 at the end of 1951 and $1,437,427 a year earlier.

According to Mr. Randolph, experience and continuity of management and research personal are believed to be among the most important assets that an investment company can have. Even though Whitehall Fund has been in existence a relatively short period of time, its executive committee working as a group has been actively managing investment companies for over 20 years and most of the senior members of the research organization have served that organization for 15 years or more. In this connection, it was noted that as a consequence of its association with four other investment companies and three insurance companies with aggregate assets in excess of $255,000,000, Whitehall Fund, with assets of only $2,693,573, has access to investment research facilities substantially greater than would be possible if the Fund maintained its own research and administrative organization.

D. MOREAU BARRINGER, Chairman of Delaware Fund, questions whether the recent rise in the rediscount rate is the initiation of a planned deflationary program, even though, he points out, higher interest rates are obviously a deterrent to business expansion.

More likely, Mr. Barringer says in his current semi-monthly letter to his Board, the Federal Reserve Board's action is little more than a reassertion of its responsibilities for, and authority over, the interest structure. The long period of domination of the money markets by the Treasury is probably at an end, he observed.

In this event the mutual fund executive sees interest rates dictated more by the consideration of their effect on the health of the economy than the Treasury's desire to service the national debt cheaply. He pointed out that the confidence which this should inspire in the independent functioning of the Federal Reserve System may offset any deflationary effect engendered by the higher rate.

NET ASSETS of Growth Industry Shares, Inc., at the end of 1952 were $3,204,000, up 25.8% from $2,547,000 on Dec. 31, 1951. Net asset value per share was $27.95 against $27.02 on June 30, 1952, and $27.[illegible] at the end of 1951. Shares outstanding increased during the year to 114,637 from 91,435.

Dividends paid during 1952 were $1.08 per share from investment income and $0.91 from capital sources, compared with $1.03 and $0.85, respectively, in the preceding year.

At the year-end this investment

Continued on page 43

M. I. T. Honors 100,000th Shareholder

Kreigh Collins, illustrator and newspaper syndicate cartoonist of Ada, Michigan, last week became the 100,000th shareholder of Massachusetts Investors Trust, oldest and largest investment company in the United States. Collins' adventure story strip "Kevin The Bold" appears weekly in over 80 American and foreign newspapers.

At a special luncheon in the offices of the Trust, Mr. Collins received his certificate of ownership as the 100,000th shareholder and was also presented by Merrill Griswold, Chairman of Trustees, with a silver tray engraved with a picture of the Old State House at Boston, the investment company's symbol. Mr. Collins was sold his shares of M. I. T. through the Grand Rapids office of Paine, Webber, Jackson & Curtis.

Also honored at the ceremony were Mrs. Mary K. Joslin and John H. Kimball of Lynnfield Center, Massachusetts, who now own the first shares of the Trust, sold in 1924 to Edric Eldridge of Boston, then the President of a savings bank in a suburb of Boston.

The original shares were never redeemed, but became the property of Mrs. Joslin and Mr. Kimball upon the death of Mrs. Eldridge, widow of the first shareholder.

Another special guest was C. Otto Zerrahn who sold the first shares in 1924 as a partner in a small Boston investment house, and who has been selling M. I. T. shares steadily ever since.

Commenting at the luncheon on the growth of the Trust during the past 28 years, Chairman Griswold said: "When Massachusetts Investors Trust was started in 1924 as a new type of investment company and the first open-end fund ever ogranized, I doubt that its originators ever visualized 100,000 shareholders or total assets of over $510,000,000 which we now have.

"I became identified with the affairs of the Trust in 1925 and can assure you that the growth of the enterprise in its earlier years was painfully slow. At the end of 1924, the Trust had only 200 shareholders and nearly seven years elapsed before we had 10,000.

"Meanwhile we have encountered every variety of economic weather including war and depression as well as good times. Meanwhile, also, following the establishment of our company, over 100 other open-end investment companies have come into existence and at the end of 1952 total assets of all approached four billion dollars. That is astonishing progress.

"Today, Massachusetts Investors Trust not only has 100,000 shareholders and over half a billion in assets but its shares are owned by individuals and institutions in all 48 states, Alaska, Hawaii and 24 foreign countries. All this is concrete evidence that the tiny investment company started in 1924 must have had something in it with a basic appeal to investors of all sorts."

The Man "Called Paine Webber First"

KREIGH COLLINS, cartoonist from Ada, Mich., and M.I.T.'s 100,000th shareholder only had to sign a check after he had "called Paine, Webber first" in order to send a score of reporters and a baker's dozen representatives from the news magazines up to Boston for a dinner for 100 at the Harvard Club, Wednesday evening and a luncheon on Thursday, with himself as guest of honor at both. Commented one reporter on the way back to New York, "No matter what you will, you're at hazard with your capital." H. Eugene Dickhuth, New York "Herald Tribune's" financial writer, is reported to have dug into his suitcase of similes and come up with, "As unpopular as the 100,001 shareholder."

Continued from page 42

company's funds were almost fully committed in 45 common stocks and five preferred issues, in line with management's conviction that "the present volume and earning power of business have enough durable qualities to warrant keeping capital funds at work." In view, however, of the fact that the new Washington administration "can call for reversal of almost any phase of foreign policy without losing face," management is mindful of the possibility of changes that may require quick revamping of investment policy. Accordingly, current emphasis, as during the last quarter, "is on defensive qualities for the portfolio."

In the final 1952 quarter B. F. Goodrich and Texas Utilities were added to the portfolio, the former because "research and product development have impressed us as likely to provide superior growth dynamics," and the latter to give the portfolio "further geographic diversification in a fast growing section of the country." Keystone Steel was eliminated "because declining agricultural prices seemed to imply some hesitation in the growth of this company's market for fencing in rural areas."

Significant increases were made in holdings of ten companies during the quarter, while decreases were made in five. The largest decrease was in Dow Chemical for reasons of yield.

AN INCREASE of more than $21,000,000 in net assets in three months was reported yesterday by Affiliated Fund, Inc.

Total net assets were $244,873,191, equivalent to $5.06 per share, on Jan. 31, 1954, compared with $223,470,374, or $4.74 per share, on Oct. 31, 1952.

Since Oct. 31, 1952 the Fund has added the common stocks of American Chicle Company, H. L. Green Company, Inc., Pacific Gas & Electric Co., Swift & Company, United Gas Corp. No companies were eliminated.

With 97.55% of assets invested in common stocks, the five largest stock holdings by groups were: Electric Light and Power, 22.16%; Natural Gas, 9.39%; Bank, 8.93%; Tobacco, 7.54%; Food, 7.31%.

1953 YEARBOOKS of the Eaton & Howard Mutual Funds have just been issued by the management organization, Eaton & Howard, Incorporated, of Boston. These books contain complete descriptions of the objectives, investment policies and management of the Funds together with schedules and charts showing the record and growth of both Funds. On Dec. 31, 1952, combined assets of Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund exceeded $111,500,000.

Samp's Law is Now Law in 19 States

Edward J. Samp, director of the Department of Securities of Wisconsin and Chairman of the Investment Company Committee of the National Association of Securities Administrators, reports that 19 states have, by agreement, adopted as law the regulations over investment companies written in Chicago last November by the Investment Company and Executive Committees of the N.A.S.A.

The regulations had first taken shape at the N.A.S.A. Convention in Portsmouth, New Hampshire, last Fall, and with the cooperation of representatives of the mutual funds industry, the proposed regulations were recast into their present form.

The 19 states which Mr. Samp reports have adopted his regulations are Alabama, Arkansas, Florida, Illinois, Kentucky, Maine, Michigan, Minnesota, Missouri, North Dakota, Nebraska, New Hampshire, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, West Virginia and Wisconsin.

In the N.A.S.A., a voluntary organization of state Securities Administrators, Mr. Samp is a recognized specialist in the field of open-end investment company operations and for the past several years has given his special attention to mutual funds and their relationship to state securities regulations. In drafting his regulations, Mr. Samp received the special opinions and advice of an informal committee composed of representatives from Massachusetts Investors Trust, Keystone Custodian Funds, Wellington Fund and Affiliated Fund.

PERSONAL

AT THE ANNUAL MEETING of Shareholders' Trust of Boston on Feb. 18, 1953, Mr. Frederick M. Thayer, Vice-President and Director of Harriman Ripley & Co., Incorporated, was elected a Trustee to fill the vacancy created by the death of Mr. George E. Abbot.

The other Trustees, who were re-elected at the meeting, are: John P. Chase, President, Treasurer and Director of the Investment Adviser, John P. Chase, Inc., Erle V. Daveler, Vice-President and Director, American Zinc, Lead & Smelting Co., Francis C. Gray, President and Director, Fiduciary Trust Company, and Oscar W. Haussermann, partner of the law firm Haussermann, Davison & Shattuck.

EDWARD C. JOHNSON, President of Fidelity Management and Research Company, discussed "Investment Research and Decisions" on the radio program, "Your Money At Work."

COMPLETE TEXT OF N.A.S.A. REGULATIONS

The Investment Company Committee of the National Association of Securities Administrators announces that the following directives concerning open-end investment companies will be effective January 1, 1953.

With respect to—

1. INCOME AND CAPITAL GAINS DISTRIBUTIONS.

(a) Any announcement to shareholders, dealers or others by an open-end investment company, of a declaration of, or an intent to declare (1) a dividend from net income, or (2) a distribution of realized capital gains, giving the shareholder an option to purchase shares of the investment company with such dividend or distribution, shall not precede the ex-dividend or ex-distribution date by more than fifteen days.

(b) Advertising realized or unrealized appreciation or depreciation and undeclared accumulated undistributed current net income in sales literature or otherwise is prohibited, except (1) by the announcement permitted in (a) above, or (2) by the use of a regularly published financial statement prepared in accordance with applicable laws and regulations and sound accounting principles, or (3) after any realized appreciation or net income has been distributed, or (4) in the case of unrealized appreciation or depreciation, to describe the change therein (but not the cumulative total thereof) during any year or during any shorter accounting period in which a capital gains distribution has been made.

(c) The ex-dividend or ex-distribution date for the final distributions for the fiscal year shall not be prior to the 15th day of the month preceding the last month of the fiscal year.

(d) No dividend or distribution shall be referred to as an "extra" dividend or distribution.

2. ACCOUNTING.

WHEREAS the accounting practices of open-end investment companies vary with respect to gains and losses from the sale of capital assets, by use of either the "average-cost," "identified-certificates," or "first-in, first-out" basis in financial statements as presented to the public, in the prospectuses and in the annual reports; and

WHEREAS the Internal Revenue Department requires the filing of a statement for income-tax purposes based on the "identified-certificates" or "first-in, first-out" basis (herein called "tax basis"); and

WHEREAS some companies, in presenting statements to the public, have used the "tax basis" for some years, and a number of companies have recently elected to use such basis, and since the use of the "average-cost" basis is not a requirement of the Securities and Exchange Commission; now, therefore, be it

RESOLVED, That companies continuing to use the "average-cost" basis include in statements presented to the public, by special insert or footnote, a statement of the capital gains or losses on the "tax-basis" as reported in the income-tax statement; and that companies using the "tax-basis" include in such statements and in the same manner the capital gains or losses on the "average-cost" basis to the extent that such information is reasonably available or, if such information is not reasonably available, such information shall be given for fiscal years beginning on or after January 1, 1953, based on the book costs at the beginning of such fiscal year; and be it further

RESOLVED, That since the "average-cost" basis is recognized as the method which most accurately reflects the actual capital gains or losses, it is the position of this Association that whatever basis is used for reports to shareholders, securities sold should be so selected, in so far as it is reasonably practicable so to do, that the capital gains or losses for the year will approximate the gain or loss on the "average-cost" basis.

3. THE STATEMENT OF POLICY GOVERNING THE RECIPROCAL BUSINESS OF OPEN-END INVESTMENT COMPANIES.

The following resolution was adopted by the National Association of Securities Administrators at its Convention held in Richmond, Virginia, on July 11, 1949.

"Resolved that the Association looks with disfavor upon any attempt to promote the sale of investment company shares by agreeing to give dealers, either directly or indirectly, in addition to the usual contractual allowances, any amount of brokerage business, and that such promises shall be deemed to be prima facie evidence of an unfair business practice and not consistent with sound management of the fund."

It is the essence of this resolution that promises and agreements of future securities business with the fund may not be made to promote the sale of shares of investment companies. It does not, however, prohibit securities transactions between a fund and a dealer or broker selling shares of the fund in the absence of such a promise or agreement.

Supplementary to and in furtherance of said resolution the following resolution is proposed for adoption.

RESOLVED:

1. That with respect to transactions on a national securities exchange registered with the Securities and Exchange Commission, a broker or dealer may participate in commissions even though he performed no service in executing the order, provided such "give-ups" are remitted to the dealer or broker designated by the investment company not later than the 25th day of the month following the month in which the transactions are completed by payment.

2. That with respect to the purchase or sale of securities registered under the Securities Act of 1933, where the profit is fixed by the prospectus, or with respect to the purchase or sale of a security listed on an exchange through a "Special" or "Secondary" offering where the profits or commissions are fixed by agreement within the rules of the exchange, a broker or dealer may give up a portion of his profits or commission to another broker or dealer even though the latter performed no service in connection with such purchases or sales, provided the investment company could not have purchased or sold the same securities at a more favorable price at that time, and provided further that such "give-ups" are remitted to the dealer or broker designated by the investment company not later than the 25th day of the month following the month in which the transactions are completed by payment.

3. That with respect to all other transactions a broker or dealer may not participate in profits or commissions on orders executed with or for the investment company by another broker or dealer.

4. AN AMENDMENT TO PARAGRAPH 23 OF REGULATIONS ADOPTED AT THE 1939 CONVENTION.

Paragraph 23 of the Regulations concerning investment companies is amended to read:

"Require that the trust redeem shares issued by it at the net asset value as of a time not later than the close of business on the day following the day on which shares are presented for redemption, subject to the conditions under which redemptions may be suspended under the Investment Company Act of 1940, less charges permitted by Paragraph 21 of this Regulation. As used in this paragraph 'asset value per share' shall have the same meaning as in paragraph 20."

5. SPECIAL DEALS.

The offer or disposal through brokers or dealers of shares of an open-end investment company of the management type is hereby defined to be an offer or disposal on grossly unfair terms—

(1) If the principal underwriter allows discounts from the applicable public offering price which (a) are not alike for all dealers, or (b) vary with the amount of the dealers' sales (other than in connection with volume purchases by investors);

(2) if a statement that such discounts are alike to all dealers is not included in the prospectuses revised after January 1, 1953;

(3) if special bonuses or concessions, whether in cash or merchandise, special advertising or displays, are offered to dealers and brokers, which are not available alike to all brokers or dealers without respect to their sales;

(4) if any representative of any wholesaler or distributor out of his commission or compensation pays any extra concession to any dealer or salesman in addition to the concession listed in the dealer's contract.

6. DISCLOSURE OF PORTFOLIO CHARGES.

No investment company, its manager or distributor shall inform any dealer or broker not concerned in the execution of the transaction, either orally or in writing, of any proposed changes or changes in process in the portfolio. This rule shall not prevent the publication of a list of portfolio securities or a statement of changes in the portfolio in (1) a prospectus or (2) reports of any kind based upon regularly established fiscal periods of not less than three months' duration.

7. FINANCIAL REPORTS TO THE PUBLIC.

Cost of increases in authorized Capital Stock, stock split-ups, or stock dividends, which should include legal and accounting expenses, stock certificates, printing, postage, issue tax, transfer agent's fees, etc., in connection therewith, shall be listed in the Expense Account in financial reports to the public, either as a separate item or by way of a footnote.

CLOSED-END INVESTMENT COMPANY STATISTICS

For the quarter ending December 31, 1952

Source: National Association of Investment Companies.

Investment Company	Market Price Dec. 31	Approximate Net Assets Per Share	Discount or Premium Dec. 31	Discount or Premium Sept. 30	Dividend Latest Fiscal Year	1952 Price Range
Non-Leverage, General Portfolio:						
Adams Express	35	$41.07	—14.8%	—19.2%	b$1.60	35⅜-30⅝
American International	a 22 5/16	26.49	—15.8	—16.0	c 1.00	23½-20⅛
Boston Personal Property Trust	28	34.27	—18.3	—18.7	1.40	28⅝-24
Conn. Invest. Management Corp.	a 4½	5.60	—19.6	—19.3	d 0.18	Unlisted
Consolidated Investment Trust	a 29⅝	32.67	— 9.3	— 0.5	g 1.45	Unlisted
Insuranshares Certificates	a 14⅜	h 17.61	—18.4	—14.3	0.30	14⅜-11¼
Lehman Corporation	80¼	73.22	+ 9.6	+10.3	e 2.08	81¾-70¾
National Shares Corporation	32	35.56	—10.0	— 6.7	f 1.14	34⅛-30¼
Niagara Share "B"	17¾	i 24.83	—28.6	—28.2	0.75	18⅝-15½
Shawmut Association	a 20⅝	31.27	—34.0	—33.7	1.00	21 -17¼
Tobacco & Allied Stocks	a120½	220.04	—45.2	—38.5	2.00	120 -88
Non-Leverage, Specialized Portfolio:						
National Aviation	21⅜	23.56	— 9.3	—10.2	j 0.90	23¼-19
Petroleum Corporation	21	25.38	—17.3	—14.8	k 1.20	23¾-19⅝
Conservative Leverage:						
American European	a 30	32.35	— 7.0	— 5.1	m 1.04	33½-29¾
Carriers & General	13¾	16.80	—18.2	—17.0	q 0.76	14¾-10⅞
Colonial Fund*	21¾	23.64	— 8.0	—10.1	p 1.03	22¼-19
General American Investors†	26⅞	25.70	+ 4.6	+ 5.6	n 0.60	31 -26⅛
General Public Service	4⅛	4.68	—11.9	—12.0	r 0.15	4¾- 3⅜
Overseas Securities	18¾	14.19	+32.1	+34.8	o 0.67	23 -17¼
Medium Leverage:						
Capital Administration "A"	27⅞	s-t 39.30	—29.1	—36.9	1.40	28 -21½
Equity Corporation	2	3.48	—42.5	—43.0	0.15	2 - 1⅝
U. S. & Foreign Securities	65	87.24	—25.5	—30.0	u 1.88	73 -54⅜
High Leverage:						
Capital Administration "B"	a 4⅞	v 4.94	— 1.3	+ 3.2	0.36	Unlisted
Central-Illinois Securities	4¼	6.51	—34.7	—28.8	None	4⅜- 3½
North American Investing	a 11⅛	14.25	—21.9	—13.3	y 1.79	13¼-10
Pacific American Inv.	a 6	6.48	— 4.3	+ 0.5	x 0.15	Unlisted
Tri-Continental Corporation	17⅝	w 25.69	—31.4	—34.2	1.04	17⅞-13½
U. S. & International	8⅝	11.85	—27.2	—30.9	None	8⅝- 7¼
Options:						
Tri-Continental warrants‡	5⅛	----	----	----	----	5⅛- 3¾

FOOTNOTES:

a Mean between bid and asked prices.

b-g Plus the following amounts paid from realized capital gains:
b—$0.80 c—$0.91 d—$0.22 e—$2.33 f—$1.59 g—$0.72

h After deducting $2.81 a share reserve for taxes on unrealized appreciation.

i After deducting $1.03 a share reserve for taxes on unrealized appreciation.

j Plus $1.50 paid from realized capital gains.

k Plus $0.50 paid from realized capital gains.

m-r Plus the following amounts paid from realized capital gains:
m—$1.75 n—$1.83 o—$2.42 p—$0.72 q—$0.29 r—$0.30

s After deducting $5.11 a share reserve for taxes on unrealized appreciation.

t Entitled in liquidation to $20 per share in preference to Class B stock and thereafter, as a class, to 70% of remaining assets.

u Plus $1.37 paid from realized capital gains.

v After deducting $1.31 a share reserve for taxes on unrealized appreciation.

w After deducting $3.58 a share reserve for taxes on unrealized appreciation.

x Plus $0.88 paid from realized capital gains.

y Paid from realized capital gains.

*Formerly Railway & Light Securities

†Leverage of preferred stock more than offset by holdings of cash and government securities.

‡Each perpetual warrant entitles holder to buy 1.27 shares of common at $17.76 per share. Asset value of common was $25.69 per share on Dec. 31, 1952, but the market price of the common was less than the exercise price of the warrants.

Continued from first page

As We See It

has learned by experience to expect somewhat the type of oratory that characterizes party conventions.

No Excuse

But none of this, nor all of it, seems to us to excuse a man of the stature commonly attributed to Mr. Stevenson for such tactics as he indulged in last week. "I hope," he says, "that I have misread the signs of the revival of the discredited 'dollar diplomacy.' I hope we are forging no silver chains." And this in reference, apparently, to the firmer attitude that the Administration is taking toward European peoples who have been receiving (and in a sense demanding) incredibly enormous gifts from this country—receiving and demanding at the same time—that they go blithely on their way without regard to conditions under which we have undertaken to share our wealth with them. And the Administration is demanding not that they cease to finance their socialism with our benefactions or that they do anything else that would impose our beliefs or our will upon them, but merely that they show in their own way more effective interest in their own safety against an enemy which Democrats as well as Republicans regard as a threat to us all!

The titular leader of a great party stoops to pin the label of "dollar diplomacy" upon this attitude, and to talk in Bryan-like oratory of "silver chains!" We, for our part, find it difficult to believe that the gentleman knows so little of our diplomatic history!

Mr. Stevenson always finds it impossible to resist a quip. Says he: "We have heard much about the 'psychological' offensive; but we will frighten no Russians by threatening our Allies." At another point, the speaker says "let us never be content merely to oppose; let us always propose something better." This seems to us to be a good time to come up with something better, and merely to suggest as Mr. Stevenson seems to do that the Administration revert to the policies of the Truman Administration does not qualify!

The Facts?

Now what are the facts? What is the new Administration actually trying to do in our foreign relations? James Reston, who apparently has the best of information from official sources, described the general foreign policy of the Eisenhower Administration in last Sunday's New York "Times" as follows:

"In foreign policy the President has set out to do these things:

"(1) End not only the Korean war but the Indo-China war.

"(2) Replace the large United States and French ground forces in Asia with South Korean, Vietnamese, and Chinese Nationalist armies, so that the United States and French forces can gradually be withdrawn into a 'mobile reserve.'

"(3) Get that mobile reserve into position to counterbalance the Soviet Army instead of having it tied down on the continent of Asia fighting the Communist satellites.

"(4) Take a stronger and more independent line with both the Allies and the Communists, denying to the Allies and denying to the Communists any assurance that they will be able to retain the vast spheres of influence they have built in East Asia and East Europe.

"What is the estimate of the world situation on which President Eisenhower is basing his policy? Is he merely engaged in a war of nerves against the Communists, or is there something more behind the recent moves in the Far East? What are the chances, in the present threatening world situation, of reconciling his 'bold new foreign policy' with his much freer domestic policy? And how is the President directing the whole operation?

"The estimate of the world situation here now is as follows: The Soviet menace is as ominous as it has been at any time since the outbreak of the Korean war. The Communist build-up in North Korea is large. Soviet pressure on West Germany, and particularly on Berlin, is mounting, and the Kremlin's anti-American propaganda campaign and its efforts to split the Allies are as virulent as at any time since the end of the war.

"Not only is the situation disturbing in East Asia and in East Germany, but the chances of success in the current negotiations to end the Iranian crisis are put at about ten-to-one against. Meanwhile the Soviet anti-Semitic campaign is winning support not only in Eastern and Central Europe, but in the Arab states which are still at logger-heads with Israel.

"Confronted by this threatening situation, the Administration feels that the military forces of the Allies are out of position, and that the relations among the Allies are out of balance.

"As this Administration sees it, the Allies have been mousetrapped into three proxy wars, which are diverting most of our military strength and leaving the Soviet Army free to act as the 'mobile reserve' of Communist strategy. Moreover, the feeling here is that the British and French have in the past managed to veto all United States plans to break out of this position.

"President Eisenhower is determined to change this and has already started doing so. He will consult the Allies ahead of any important moves, but he will not wait for their approval. For his judgment is that he cannot defend the security of this country or of theirs without bold action, and that he cannot restore the balance of power in the world until Free Asia is able to defend itself, and the bulk of the United States and French troops are 'disengaged' from the Asiatic mainland."

Now, of course, we are not in a position to assert without qualification that this is the general line of policy which the new Administration has set for itself. This interpretation of what the President and the Secretary of State have said, and of what the Administration has done and is doing seems to us, however, to be consistent with the facts. If this or something closely similar to it is the official plan and program, how silly Mr. Stevenson seems by contrast!

It is obvious that in other respects the defeated Democratic candidate is now prepared to "play politics" in a way that he once seemed to scorn. He is laying the ground for attack in the agricultural sector; he begins to talk about businessmen in government; and he seems to espouse much of the rest of the demagoguery now beginning to bud if not to blossom. If he now goes no further the reason appears to be that the situation has not yet developed fully enough for him to be effective.

Continued from page 14

The New Agricultural Policy

agriculture depends in part on the willingness of other economic groups to adopt policies that permit flexible and dynamic adjustments.

Development of Markets

Our agricultural policy will emphasize the further development of both domestic and foreign markets for farm products. We will seek ways and means of improving the operation of free markets. We envision increased efficiency in marketing and distribution as well as in production, more complete crop and market reports, improved grading and inspection services, and an expanded educational program for better human nutrition. In these ways, as in others, we can serve the best interests of consumers as well as farmers.

Inefficiency should not be subsidized in agriculture or any other segment of our economy. Relief programs should be operated as such—not as an aid to the entire agricultural industry. Emergency programs should be terminated as soon as the emergency is over.

No agricultural program should be manipulated to serve partisan political purposes.

In view of these facts, it seems important that a very thorough study, analysis, and evaluation should be made of every public agricultural program now in operation to ascertain if it is actually needed, and, if needed, whether it can be reduced, combined, decentralized, coordinated, or otherwise improved in the interest of agricultural and national welfare. Facts developed from such studies should be placed before Congress—the policy-making body of our Government—for appropriate action.

The Department of Agriculture, established originally "to acquire and diffuse useful information on agricultural subjects," is a great and valuable institution. This Department, employing highly trained scientists and other devoted public servants, in its responsibility to carry out the policies established by Congress, should improve its organization in accordance with sound principles of public administration and practice, strict efficiency and economy. In the various States there are Land-Grant colleges with their experiment stations and extension services as well as the State departments of Agriculture, each having its appropriate area of service. Each of the services for agriculture, now provided by the Government, should be re-examined to determine first whether it can better be met publicly or privately.

If the service appears to be a public responsibility, then it should be determined whether or not the objectives can better be accomplished through local or State agencies, or through Federal-State cooperation, or through Federal agencies.

In the administration of this Department, the guiding purpose will be to strengthen the individual integrity, freedom, and the very moral fiber of each citizen. We must establish a climate which will further promote, cultivate, and release the great reservoir of dynamic latent energy of every individual in this great nation. As Secretary, I will seek the best possible advice from members of the Congress and the entire agricultural industry through conference with farm organization leaders, advisory committees, and individuals regarding existing and proposed policies and programs.

Alexander Morse With Model, Roland, Stone

Model, Roland & Stone, 120 Broadway, New York City, members of the New York Stock Exchange, announce that Alexander R. Morse is now associated with the firm in its research department. Mr. Morse was formerly manager of the investment research department of Gruntal & Co.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Balie P. Legare has become affiliated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Paul L. Farnsworth has been added to the staff of Walston & Co., 550 South Spring Street.

With Bailey & Davidson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Robert T. Bonnel and LeVerne A. Swisher have become affiliated with Bailey & Davidson, 115 Sansome Street. Mr. Swisher was formerly with Davies & Co.

Two With Davies Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Richard T. Matsumoto and Clark B. Stroud have become connected with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Two With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Gino Bernardi and Frederick S. Weaver have become associated with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges. Mr. Weaver was formerly associated with Davies & Co. as manager of their Santa Cruz office.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Ephraim T. Duvall has joined the staff of Mutual Fund Associates, 127 Montgomery Street.

W. H. Sullivan Sons Open

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Walter H. Sullivan & Sons are engaging in a securities business from offices at 155 Montgomery Street. Partners are Walter H. Sullivan, Thomas A. Sullivan, and Walter H. Sullivan, Jr.

Daniel Rice Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Walter W. Clausen has been added to the staff of Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Fred A. Nesbit is now connected with Founders Mutual Depositor Corp., First National Bank Building.

Joins Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Tom M. Plank has become associated with Francis I. du Pont & Co., 208 South La Salle Street. Mr. Plank was formerly with Merrill Lynch, Pierce, Fenner & Beane in Chicago and on the Coast.

Continued from page 13

The Outlook for Natural Gas

figures bear no relation at all to the ultimate reserves which are many times greater than the proved amounts. In the case of natural gas reserves, prominent geologists consider that the supply will extend well beyond the present century. Some[2] have estimated as high as 500 trillion cubic feet, an estimate they consider conservative.

For years, all predictions of oil reserves have been low and it is quite likely that predictions of future natural gas reserves will also be low. It is also significant that in recent years natural gas have been discovered at a much faster rate than petroleum and natural gas liquids. Geologists tell us that if this trend continues to 1960, our cumulative discoveries of natural gas on a thermal basis will be 55% of the total liquid and gaseous hydrocarbon discoveries as compared to 30% in 1950.

Only about 2% of the million square miles of land area overlying our sedimentary formations has been thoroughly explored by the drill. Given the incentive, I believe the successful search for oil and gas will continue unabated with the chances of finding more and more gas reserves greatly increased since geologists now know that the probability of discovering gas rather than oil increases with the depth of the well. And wells are being drilled deeper and deeper into Mother Earth.

And to digress for a moment, Dr. Egloff also believes that research on more economical production of gas from solid fuels is sufficiently promising to warrant continuation so that the gas industry can meet any crisis that may arise in the distant future. As far as I am concerned, this applies fully to the gas pipeline portion of the gas industry. The pipeline system of my company, for instance, traverses the heart of the coal producing areas of the Appalachians.

Natural Gas Markets

Now as to markets for natural gas. This perhaps belongs more properly on Mr. Oats' side of the fence in today's discussion. Certainly market expansion will depend to some extent on the aggressiveness and foresightedness of the distributing utilities. However, we are all familiar with the great growth in gas sales during recent years, both from expanded existing markets and the opening of new market areas by pipeline extension. Just in one field alone, that of house heating, I might note that the number of homes using gas for heating more than doubled in the last decade.

All of the country, except the Pacific Northwest and Maine (and my company hopes to do something about Maine) now has natural gas available, but not in the quantities needed. The gas planning division of the Petroleum Administration for Defense recently issued a year-end report predicting that the total peak-day requirements of gas utility customers will be 50% higher in the winter of 1955-56 than during the 1951-52 winter.

The market potential is obvious. The gas supply is available. So, given intelligent governmental regulation that will make possible the continued attraction of money for expansion, I foresee a further broadening of the gas market and an increase in the ratio of the nation's energy supply provided by natural gas.

However, even though I foresee this greater physical volume of gas going to market, I believe that the money return will not increase in the same proportion because of higher prices that have been established. We all know that the field price of natural gas has risen. This, coupled with various other restrictive factors, has reduced the competitive price position of natural gas when it is brought far from its point of origin to the marginal markets along the eastern seacoast.

Natural gas in these marginal markets, such as Boston, Bridgeport and Providence, for example, now is a premium fuel when compared with fuel oil because oil can be sold at a lower cost per million BTU's at the big eastern seaports than can gas.

But in the inland markets natural gas has a distinct advantage pricewise because of the big labor content of the back haul for either oil or coal from the seaports to the inland market. The field price of oil has also been rising, as has the price of coal, and I believe the ability of natural gas to compete in these marginal markets will improve. I look for more and more people, those near the big ports as well as the inlanders, to turn to what we consider the best fuel on earth.

Our position is that the more natural gas we bring into those areas that can use it, the more the use of natural gas will be accelerated. We have the advantage of an aggressive industry, of a constantly flowing supply, and of a clean, convenient, high quality fuel. We expect those advantages to substantially increase the use of natural gas until such time as the fuel economy of this nation is in balance. If something then upsets that balance, we will start all over again.

My comments so far have been rather rosy, I must admit, and also of necessity, rather broad. But, as does every other industry, the natural gas transmission industry also has problems. Senior money costs and the lack of a realistic understanding of what it takes to attract equity as well as senior capital are the primary difficulties we face.

Regulatory Practices

Constant upward pressure on money rates will require very careful and alert governmental regulatory practices to make possible the attraction of the necessary funds for further growth. It is imperative for the Federal Power Commission to realize that if more customers are to be satisfied—that if the natural gas pipelines are not to be chopped off at their present state of growth—then the transmission industry must have enough margin to attract the necessary capital to finance the expansion so obviously demanded by unsatisfied markets pleading for more natural gas.

The key to the future of the natural gas industry, the question of whether natural gas is to be had in abundance or in scarcity in the non-producing areas of the nation, lies within the ability of the Federal Power Commission to understand these simple economic facts of life.

The rising cost of senior money, together with the need for additional equity capital, certainly poses the need for an intelligent understanding of what it takes to attract such capital.

The cost of senior money will be influenced, not only by the decisions taken by the new Washington Administration with respect to government refunding, but also by the money market's appraisal of the adequacy of earning power of such companies as ours. And such earning power will be appraised, not only with respect to near term prospects, but also for 20 years or more down the road.

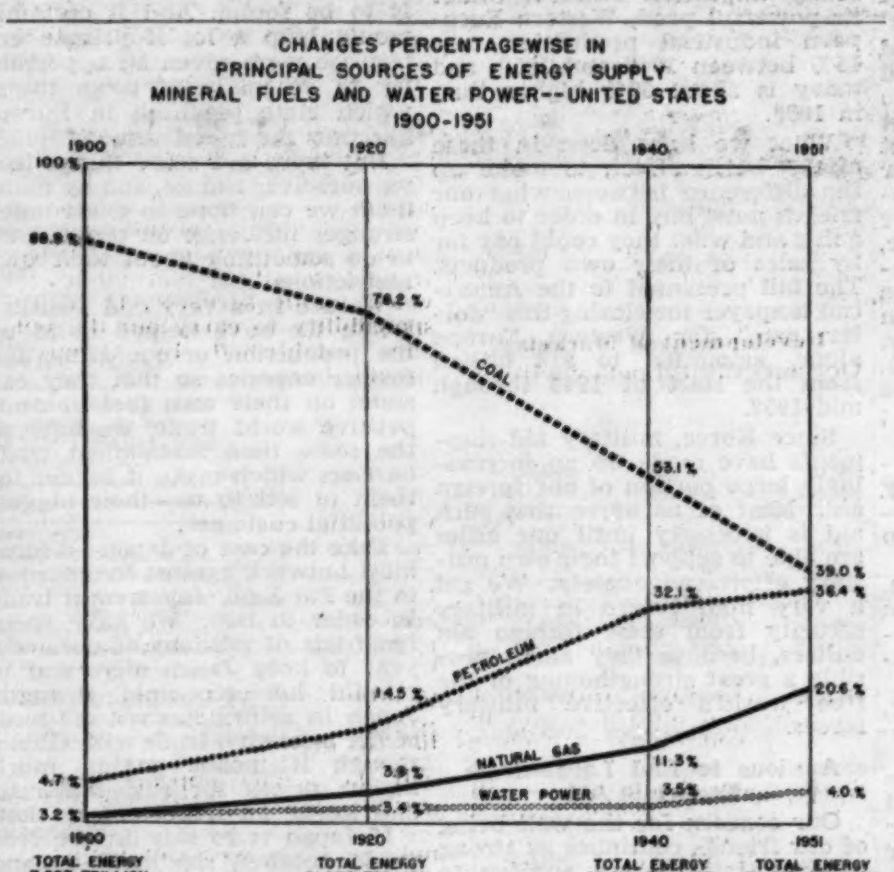
The cost of equity capital will undoubtedly be influenced by regulatory decisions to an even greater extent, perhaps, than in the case of senior money. All of this certainly argues for a fair and extremely realistic approach to the financial necessities of the transmission industry. Problems lying outside of governmental control can be adequately handled by the industry itself.

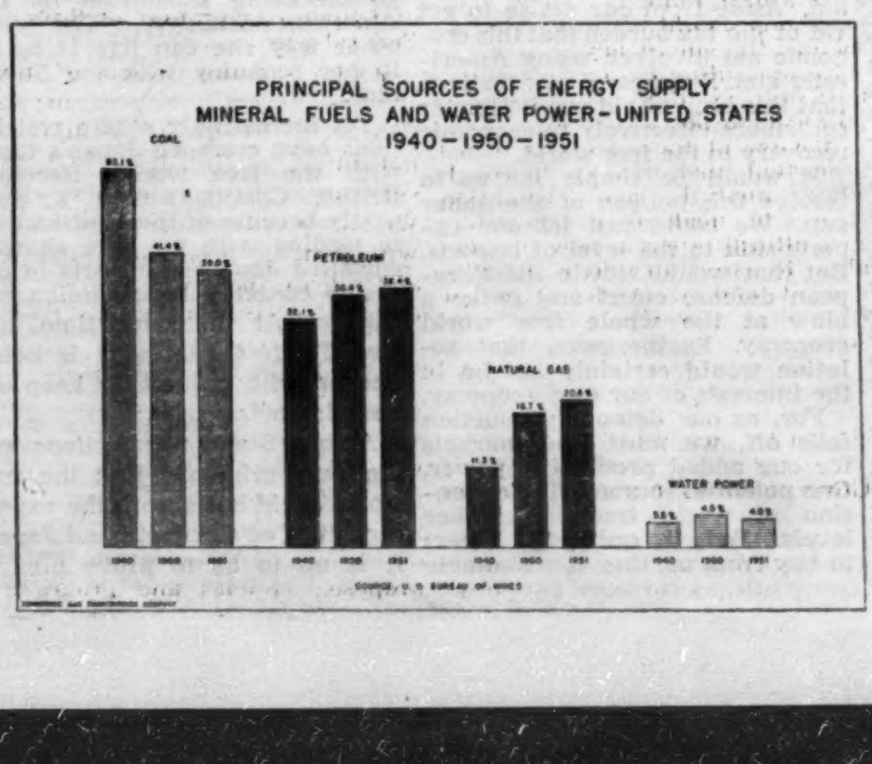
So far I have been looking rather generally into the future. But as to the near-term position, I think that, comparatively speaking, 1953 will be a rather slow year for gas pipeline construction. There are a number of reasons for this attitude. First, the administrative confusion that accompanies any new Washington Administration is bound to have a slowing effect generally. Then there is the problem of stabilizing the rules and procedures within the administration of the Natural Gas Act itself. These are the rules and precedures under which every company subject to the act must live. The settling down will take some time. The formulation of plans by companies during a period of uncertainty will probably be slow and careful. In addition, there will also probably be a certain amount of government refunding, which of course affects senior money rates, and until that is accomplished, we will not know what interest rates to anticipate.

I expect 1953 to be taken up with these basic problems, the solution of which will lay the predicate for another era of expansion of the natural gas transmission industry. I predict that any lag experienced this year will be more than made up by 1954-55, and the sails will catch the wind from there.

Summing up, the natural gas industry has the gas reserves, a ready market, and the will and know how to bring the two together. Given a favorable regulatory atmosphere under which the capital to accomplish the job can be had, the outlook for unlimited expansion of the natural gas industry is excellent. And I might add that my faith in the innate common sense of man, even though he dwells on the banks of the Potomac, is unshaken.

[2] Including L. F. Terry.





Joins Noble, Tulk

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edward J. Mawood has joined the staff of Noble, Tulk & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

Spencer Trask Adds

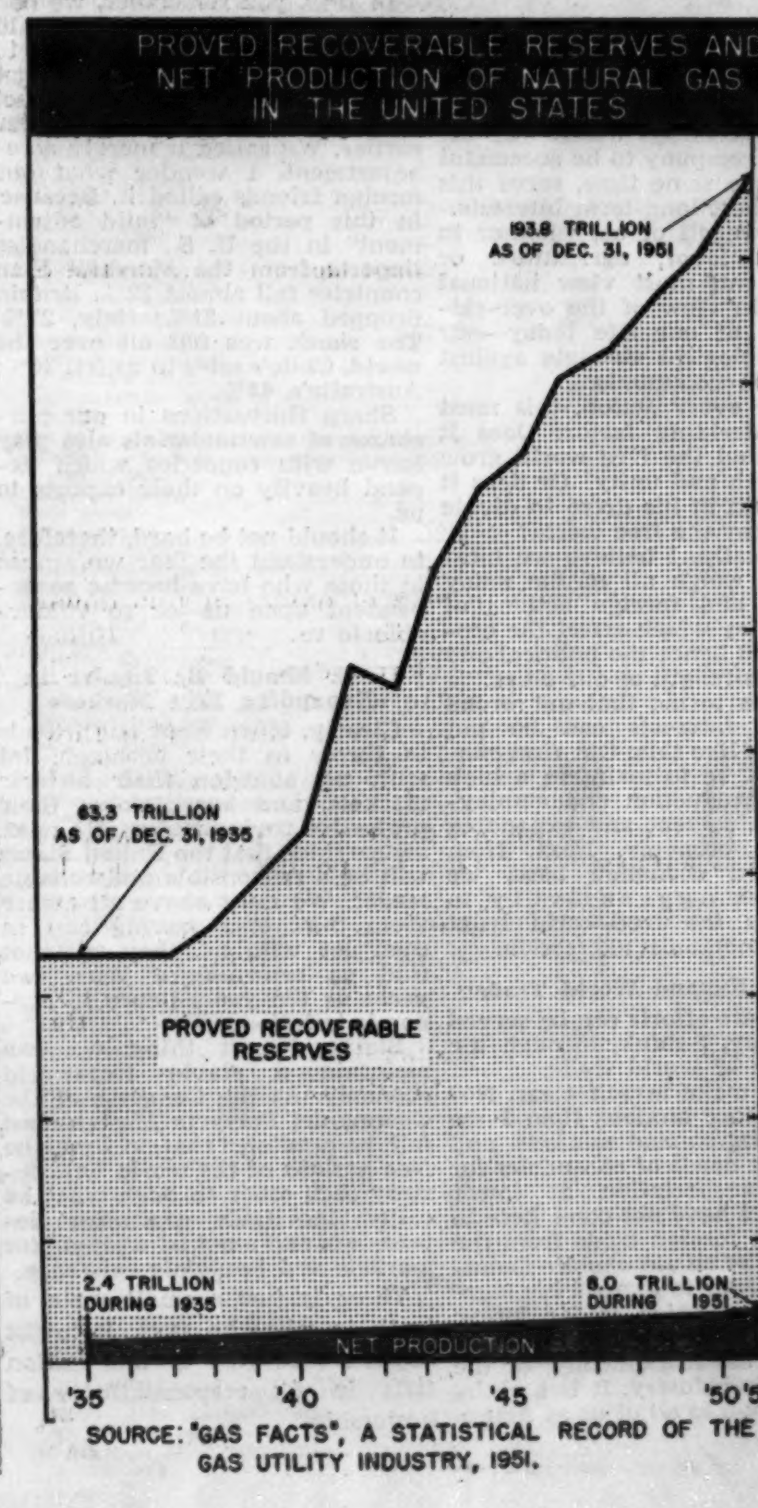
(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Robert K. Massey is now affiliated with Spencer Trask & Co., 340 Main Street.

With Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Arnold K. Kriegsmann is now with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.



SOURCE: "GAS FACTS", A STATISTICAL RECORD OF THE GAS UTILITY INDUSTRY, 1951.

Continued from first page

A Free World Can't Trade On a One-Way Street

only to New York in the dollar value of goods handled.

We face the prospect of a great northern seacoast and deep-draft ocean shipping in the industrial and agricultural heart of America. Buffalo, Cleveland, Detroit, Chicago, Duluth and other port cities of our vast inland sea will take their place with such great trading names as Hong Kong, Buenos Aires, Capetown or Suez.

That is no idle dream. That is what I confidently believe the St. Lawrence Seaway will mean to us, even if Canada is forced to go ahead on it without our long-awaited cooperation. I hope that this farsighted action of our neighbors to the North will shake us out of our lethargy and persuade us to pull our full weight in this mutually advantageous project.

It is not hard to imagine how St. Lawrence trade might enrich and diversify our midwestern economy. Certainly it would color the whole fabric of our life, and bring us closer in understanding to our friends throughout the world.

This discussion comes at a time, moreover, when the fate of Western Civilization has passed into the hands of a new American Administration. Too many of us — businessmen and others — have been talking about what we expect that Administration to do for us.

I believe we should all instead be thinking of how we can help our government do its tremendous job.

As a businessman, I am naturally concerned with the foreign and domestic economic policies which affect my business. I want to do those things which will enable our company to be successful and, at the same time, serve this nation's best long-term interests.

I believe all of us, whether in industry, labor, agriculture or government, must view national policies in view of the over-riding fact of our life today—our total ideological struggle against aggressive communism.

In our every action, this must be the deciding factor: Does it help us and the free world grow in strength and unity? Or does it help Stalin in his drive to divide and destroy the free world?

Specifically, I believe we must carefully weigh all of the many domestic and foreign actions of this country which affect the economic, and hence the political and military, strength of our allies.

It seems to me that our broad economic interests can be put something like this: Our first concern must be to maintain a high level of production and employment in a solvent and expanding American economy. Next, from that sound economic base, we must work a g g r e s s i v e l y to strengthen the free-world front against Communist aggression.

Should Expand World Trade

Both these efforts can be served importantly, I think, through the expansion of world trade.

Let me make myself clear. Nobody is more anxious than I am to sell cars, expand markets, and satisfy the needs of consumers for better transportation at lower costs. But I have not come here to talk about foreign trade from the viewpoint of an automobile manufacturer eager to expand his markets. The question is far larger than the short-term interests of the Ford Motor Company, or the automobile industry. It is a problem common to all of us as Americans. It is the problem of how to provide an economic foundation for a healthy free world—how to achieve strength and security for our nation now and in the future.

If we don't get the right answers to that one, questions of car markets or cheese markets, or any other markets won't be very important.

The heart of this whole matter, as I see it, is that if the United States does not supply markets for the nations of the world which are not yet caught in the spider's web of Soviet Russia, those nations cannot exist as free nations and will sooner or later—and maybe not so very much later—be drawn into the web, one way or another. Russia's price will be heavy—and very, very hard on us.

Ever since 1946 or 1947, when our country awakened to the designs of Soviet Russia, We have tried to unite and strengthen the free world, and to prevent further communist inroads upon it. At the same time—perhaps half by accident and half on purpose — we have persuaded the free nations largely to abandon long-established and vital trade patterns with the Soviet orbit and seek new patterns in the West.

In this constricted economic pond of the free world, the United States moves like a gaint whale. With each lazy swish of his tail, the smaller fish swim for their lives. And if the whale begins to thrash about in earnest, his neighbors are in danger of being flung —not just **up** the creek, but completely **out** of the creek.

In 1949, you remember, we had a mild business recession—a mild swish of the whale's tail, so to speak. In the latter half of that year, our gross national product fell 3.4% below the level of a year earlier. We called it merely a readjustment. I wonder what our foreign friends called it. Because, in this period of "mild adjustment" in the U. S., merchandise imports from the Marshall Plan countries fell almost 22%. Britain dropped about 21%; Italy, 27%. The shock was felt all over the world. Chile's sales to us fell 36%; Australia's, 44%.

Sharp fluctuations in our purchases of raw materials also play havoc with countries which depend heavily on their exports to us.

It should not be hard, therefore, to understand the fear we arouse in those who have become so dependent upon us—or so vulnerable to us.

U. S. Should Be Leader in Expanding Free Markets

Clearly, if we want our friends to throw in their economic lot with us, abandon their historic markets, and break down their protective trade barriers, we must assure them that the United States will be a responsible and reliable leader. We must above all assure them that, once having cast in their lot with us, they will not find us returning a year, two years or ten years hence to economic isolationism.

Stalin doesn't thing we can maintain a stable free-world economy. At the Congress of the Communist Party in Moscow last fall, he predicted that, in time, the free nations of the world will destroy each other through what he called "inevitable" capitalistic depressions and a naked struggle for markets and economic existence.

There is just a small grain of truth in what he says. It might happen that way if this nation fails in its responsibilities of leadership.

That is why in this hour of history the eyes of friend and foe will be turned upon the new Administration to see whether it will provide the kind of leadership so desperately needed.

What our foreign friends want and need today is not American pabulum spoon-fed from a silver platter. They want consistent, responsible American leadership doing the things which will help them to solve their problems by their own efforts.

Fortunately the new Administration comes to power at a time when the climate of opinion both at home and abroad is ripe for an overhauling of our whole outlook on foreign economic policy. From both the old and new worlds we hear in mounting volume the cry: Trade, Not Aid. These people want to buy from us. They want to sell to us. But they don't want to be bought and sold by us.

Most of us will pretty generally agree that economic aid was clearly necessary in the years immediately following World War II.

The war damaged much of the industrial plant of Western Europe and wrecked the established fabric of trade. Great Britain alone lost a quarter of her national wealth. Yet, during the war, Europe's population continued to increase and by 1945 there were millions of new mouths to feed.

As a result, must countries were not able to feed, clothe and house their people decently, and Western Europe became ripe for communist infiltration. We rushed into the breach with billions of dollars of relief aid which eased suffering but brought no basic improvements.

The four-year Marshall Plan, begun in 1948, aimed in a more basic way at restoring Europe's productive power. It produced really important results. Under its powerful prod, Western European industrial production rose 45% between 1947 and 1950, and today is about 50% higher than in 1938.

What we have done in these efforts is, in effect, to make up the difference between what our friends must buy in order to keep going and what they could pay for by sales of their own products. The bill presented to the American taxpayer for closing this "dollar gap," for Western Europe alone, amounted to $16 billion from the start of 1948 through mid-1952.

Since Korea, military aid shipments have made up an increasingly large portion of our foreign aid. Most of us agree that such aid is necessary until our allies are able to support their own military efforts adequately. We get a very high return in military security from these foreign aid dollars, because they make possible a great strengthening of the free world's effective military forces.

Anxious to End Large-Scale Economic Aid

Our concern for the well-being of our friends continues as strong as ever, but we are anxious to see an end to large-scale economic aid. Aside from our desire to get rid of the tax burden that this economic aid involves, many Americans and Europeans now believe that this kind of aid can no longer contribute effectively to economic recovery in the free world.

It would be simple for us to resolve this portion of the dollar gap. We could just let our exports sink to the level of imports. But that would scuttle the European defense effort and strike a blow at the whole free world economy. Furthermore, that solution would certainly not be in the interests of our own economy.

For, as our defense production falls off, we must find markets for our added productive power. One potential source is the expansion of world trade to higher levels. But, in order for others to buy from us, they must be able to sell to us. Unless, that is, we would rather subsidize our exports by bigger and better giveaway programs. That's just another way of saying that the free world can't trade on a one-way street.

There is only one really satisfactory answer to the dollar gap at the high level of trade which the free world needs. The closing of the gap and higher trade can only come about if the United States increases its imports at a far higher rate than its exports.

Americans have a fondness for goals. In industry, we like nothing better than to set a production or sales goal and then go out and surpass it. I see no harm in suggesting that we set as our first goal in the drive for an expanded trade an expenditure of 2% more of our national income—two cents out of every dollar—in buying goods and services from abroad.

We would just about make it if we could achieve the same 5% ratio of imports to national income which we had back in 1929—a ratio much lower than in most countries. It would mean another $5 to $6 billion a year to our friends.

What stands between us and that goal, and what can we do about it?

There are a great many things that Europe h e r s e l f can and should do to solve her own problems and contribute to solving this problem of expansion of world trade.

What Europe Should Do

Increased emphasis on productivity, on incentives for domestic and foreign investments, on competition and elimination of restrictive marketing practices, on sound financial and budgetary practices on reduction of Europe's own trade barriers— all of these are required in Europe if a cure is to be found. And it certainly would help a lot if private enterprise were given an opportunity to do many of those things which state planning in Europe has thus far failed to accomplish.

But there are some things that we ourselves can do, and by doing them we can hope to exert much stronger influence on our friends to do something about their own restrictions.

We are in a very odd position. While we have helped build up the production of our allies and former enemies so that they can stand on their own feet in competitive world trade, we have at the same time maintained trade barriers which make it harder for them to sell to us—their biggest potential customer.

Take the case of Japan—a foremost bulwark against communism in the Far East. Japan must trade in order to live. We have spent hundreds of millions of dollars a year to keep Japan alive and to rebuild her economic strength. Japan in return has cut off most of her once-rich trade with China, though it means paying much higher prices for raw materials and losing an important market.

If Japan is to stay in the free world column, she must expand her trade with the free world or go on being subsidized by the American taxpayer. The only other way she can live is to tie in her economy with the Soviet bloc.

Yet increasingly severe restrictions have cramped Japan's trade with the free world. Recently British Commonwealth a r e a s, partly because of their difficulties in trading with us, have sharply curtailed Japanese imports in order to conserve their foreign exchange. At the same time, our own Tariff Commission is being flooded with requests to keep out such imports.

Among Stalin's predictions was the very grim one that the free world could not absorb the export capacities of Germany and Japan. It is up to us to prove him as wrong in this as in his other predictions.

Create an Atmosphere to Help Europe Solve Its Own Problems

We have no desire to run the business of other countries for them or to try solving all their problems, but we can at least create an economic atmosphere which will help them to solve their own problems.

As a first step, I believe that this country can and should step forth boldly and lead the free world toward freer trade.

An effective attack by this country on the dollar gap must be spearheaded, I think, by a really honest and earnest effort to lower our own tariffs and eliminate the deadlier forms of trade restrictions which we employ.

Such actions on our part would be intensely encouraging to our foreign friends. We would greatly strengthen our position in urging them to abandon their own restrictive practices and take the hard measures which must precede a rich flow of trade in the free world.

I want to make myself perfectly clear on one point. I am not urging a course of action which I feel would benefit others at our expense. On the contrary, that's just what I'd like to see us get away from. I am convinced that a considerable growth in our foreign trade—imports as well as exports—would be a continuing shot in the arm to our whole economy.

Could Absorb $5 to $6 Billion More Imports

I believe that we could easily absorb another $5 or $6 billion worth of goods from abroad each year, and that if we were able to do that, business would benefit, labor would benefit, agriculture would benefit, and the consumer —that means all of us—would benefit very materially.

I don't believe that United States industry as a whole need fear either the dropping of tariff barriers or the increase of production and competition among our friends abroad.

When we consider the tremendous power and productivity of our system, the great edge we have on the rest of the world, it just isn't sensible—and certainly it isn't courageous—to shake with fear at the thought that we might run into a little competition.

Right now, responsible American industries are actually helping their foreign counterparts to improve their production and become more effective competitors.

For example, the Ford Motor Company several years ago began importing and selling several thousand English-built Ford cars a year. While we naturally are concerned with making a profit on these cars—a rather small one, actually—we also feel that we are encouraging the English company and British industry generally to become more competitive and to earn some American dollars as well.

What we're doing, in effect, is helping expand a market for foreign-built cars, and teaching possible future competitors how to sell the American market.

That may sound strange on the surface, but it makes good business sense. Progressive industries know that one sure result of free trade with a prosperous free world is a **greatly expanded market for the goods which American industry wants to sell.**

Now of course it follows that if trade is good for American industry, it is also good for the American worker. There is a very intimate relationship between full trade and full employment. In the expansion of trade a few inefficient organizations may suffer, but a great many efficient enter-

Continued on page 48

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Feb. 22	99.7	*99.7	99.7	101.0
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 22	2,2,248,000	*2,248,000	2,248,000	2,098,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 7	6,521,850	6,522,300	6,468,300	6,362,700
Crude runs to stills—daily average (bbls.)	Feb. 7	†6,834,000	6,933,000	7,117,000	6,421,000
Gasoline output (bbls.)	Feb. 7	23,232,000	23,329,000	23,768,000	21,446,000
Kerosene output (bbls.)	Feb. 7	2,684,000	2,952,000	3,080,000	2,632,000
Distillate fuel oil output (bbls.)	Feb. 7	10,178,000	10,535,000	10,900,000	10,544,000
Residual fuel oil output (bbls.)	Feb. 7	8,808,000	8,831,000	9,350,000	8,907,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 7	152,493,000	149,443,000	140,741,000	147,941,000
Kerosene (bbls.) at	Feb. 7	22,308,000	23,292,000	26,234,000	21,257,000
Distillate fuel oil (bbls.) at	Feb. 7	78,152,000	82,148,000	94,323,000	64,504,000
Residual fuel oil (bbls.) at	Feb. 7	45,807,000	46,356,000	48,876,000	39,210,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 7	690,744	697,616	688,232	733,919
Revenue freight received from connections (no. of cars)	Feb. 7	671,765	666,479	578,418	686,397
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 12	$267,788,000	$288,505,000	$548,827,000	$233,505,000
Private construction	Feb. 12	182,565,000	170,078,000	382,967,000	127,607,000
Public construction	Feb. 12	85,223,000	118,427,000	165,860,000	105,898,000
State and municipal	Feb. 12	53,601,000	97,476,000	101,414,000	61,718,000
Federal	Feb. 12	31,622,000	20,951,000	64,446,000	44,180,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 7	8,535,600	*8,875,000	9,600,000	10,585,000
Pennsylvania anthracite (tons)	Feb. 7	652,000	628,000	667,000	781,000
Beehive coke (tons)	Feb. 7	118,100	*110,700	110,800	147,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 7	88	86	89	87
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 14	8,147,461	8,129,038	8,121,357	7,439,767
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 12	200	159	158	125
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 10	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Feb. 10	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Feb. 10	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 11	24.200c	24.200c	24.200c	24.200c
Export refinery at	Feb. 11	34.725c	34.925c	34.475c	27.425c
Straits tin (New York) at	Feb. 11	121.500c	121.500c	121.500c	121.500c
Lead (New York) at	Feb. 11	13.500c	13.500c	14.500c	19.000c
Lead (St. Louis) at	Feb. 11	13.300c	13.300c	14.300c	18.800c
Zinc (East St. Louis) at	Feb. 11	11.500c	11.500c	13.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 17	95.60	95.66	95.75	96.82
Average corporate	Feb. 17	108.16	108.34	109.06	109.97
Aaa	Feb. 17	111.81	112.00	112.56	114.66
Aa	Feb. 17	110.34	110.52	111.25	112.93
A	Feb. 17	107.44	107.62	108.52	108.70
Baa	Feb. 17	103.47	103.80	103.97	103.97
Railroad Group	Feb. 17	106.04	106.21	106.39	106.39
Public Utilities Group	Feb. 17	107.62	107.98	108.88	109.60
Industrials Group	Feb. 17	110.88	111.07	111.81	113.89
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 17	2.81	2.81	2.80	2.72
Average corporate	Feb. 17	3.27	3.26	3.22	3.17
Aaa	Feb. 17	3.07	3.06	3.03	2.92
Aa	Feb. 17	3.15	3.14	3.10	3.02
A	Feb. 17	3.31	3.30	3.25	3.24
Baa	Feb. 17	3.54	3.52	3.51	3.51
Railroad Group	Feb. 17	3.39	3.38	3.37	3.37
Public Utilities Group	Feb. 17	3.30	3.28	3.23	3.19
Industrials Group	Feb. 17	3.12	3.11	3.07	2.96
MOODY'S COMMODITY INDEX	Feb. 17	410.4	404.7	405.2	436.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 7	331,971	234,876	‡295,157	239,542
Production (tons)	Feb. 7	238,012	240,713	‡260,644	207,274
Percentage of activity	Feb. 7	94	94	‡83	85
Unfilled orders (tons) at end of period	Feb. 7	545,961	455,086	‡512,208	438,915
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 13	107.90	*107.99	108.63	113.02
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Jan. 31	31,883	29,455	26,709	36,909
Number of shares	Jan. 31	936,826	841,854	758,703	1,104,620
Dollar value	Jan. 31	$40,936,217	$37,867,235	$33,201,396	$50,511,207
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 31	29,128	25,829	25,868	31,106
Customers' short sales	Jan. 31	137	123	85	219
Customers' other sales	Jan. 31	28,991	25,706	25,783	80,887
Number of shares—Total sales	Jan. 31	816,983	710,123	734,213	875,269
Customers' short sales	Jan. 31	4,295	4,101	2,568	8,382
Customers' other sales	Jan. 31	812,688	706,022	731,645	866,887
Dollar value	Jan. 31	$32,267,391	$28,710,584	$26,981,457	$37,700,924
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 31	219,520	195,800	234,940	246,590
Short sales	Jan. 31	------	------	------	------
Other sales	Jan. 31	219,520	195,800	234,940	246,590
Round-lot purchases by dealers—					
Number of shares	Jan. 31	350,340	334,050	241,260	446,650
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Jan. 24	257,290	288,990	197,020	343,160
Other sales	Jan. 24	7,242,340	8,586,020	7,223,140	9,422,640
Total sales	Jan. 24	7,499,630	8,875,010	7,420,160	9,765,800
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 24	716,820	812,820	741,490	982,270
Short sales	Jan. 24	135,230	161,470	105,030	195,330
Other sales	Jan. 24	648,940	709,010	611,870	796,150
Total sales	Jan. 24	784,170	870,430	716,930	991,480
Other transactions initiated on the floor—					
Total purchases	Jan. 24	198,700	215,610	184,500	231,910
Short sales	Jan. 24	13,000	20,900	15,200	16,100
Other sales	Jan. 24	203,730	185,550	175,140	235,520
Total sales	Jan. 24	216,730	206,450	190,340	251,620
Other transactions initiated off the floor—					
Total purchases	Jan. 24	248,717	267,947	299,550	446,130
Short sales	Jan. 24	60,640	44,020	28,420	55,510
Other sales	Jan. 24	279,087	346,110	268,843	414,361
Total sales	Jan. 24	339,727	390,130	297,263	469,871
Total round-lot transactions for account of members—					
Total purchases	Jan. 24	1,164,237	1,296,377	1,228,546	1,660,310
Short sales	Jan. 24	208,870	226,390	148,680	266,940
Other sales	Jan. 24	1,131,757	1,240,670	1,055,853	1,446,031
Total sales	Jan. 24	1,340,627	1,467,060	1,204,533	1,712,971
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 16	109.5	109.2	109.8	------
Farm products	Feb. 16	98.9	97.5	100.7	------
Processed foods	Feb. 16	104.4	104.2	104.4	------
Meats	Feb. 16	94.4	93.4	99.3	------
All commodities other than farm and foods	Feb. 16	112.8	112.8	112.8	------

*Revised figure. †Includes 557,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons. ‡Ten days ended Dec. 31, 1952.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of January (in thousands)	$149,004,000	------	$136,520,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK — As of January 31:			
Imports	$225,052,000	$232,145,000	$234,915,000
Exports	120,442,000	124,564,000	135,100,000
Domestic shipments	7,543,000	8,112,000	7,590,000
Domestic warehouse credits	57,512,000	56,269,000	44,509,000
Dollar exchange	42,558,000	38,743,000	22,645,000
Based on goods stored and shipped between foreign countries	34,380,000	32,016,000	47,579,000
Total	$487,487,000	$491,849,000	$492,338,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of January:			
Manufacturing number	130	131	143
Wholesale number	66	45	62
Retail number	334	288	348
Construction number	78	76	68
Commercial service number	39	43	50
Total number	647	583	671
Manufacturing liabilites	$9,107,000	$8,458,000	$8,365,000
Wholesale liabilities	2,590,000	1,875,000	3,161,000
Retail liabilities	8,009,000	7,046,000	7,761,000
Construction liabilities	2,735,000	5,068,000	2,672,000
Commercial service liabilities	868,000	953,000	4,249,000
Total liabilities	$23,309,000	$23,400,000	$26,208,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of November	8,213	*6,741	6,913
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of January (000's omitted)	$548,000	$1,742,000	$506,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Jan. 31 (000's omitted)	$504,000	$539,000	$480,000
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of November:			
All manufacturing (production workers)	13,447,000	13,378,000	12,904,000
Durable goods	7,709,000	7,583,000	7,314,000
Nondurable goods	5,738,000	5,795,000	5,590,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	108.7	108.2	104.3
Payroll Indexes (1947-49 Average=100)—			
All manufacturinfg	145.3	104.2	129.8
Estimated number of employees in manufacturing industries—			
All manufacturing	16,622,000	16,539,000	15,890,000
Durable goods	9,507,000	9,368,000	8,976,000
Nondurable goods	7,115,000	7,171,000	6,914,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of December:			
Weekly earnings—			
All manufacturing	$72.36	*$70.78	$64.40
Durable goods	78.61	*76.82	72.71
Nondurable goods	64.06	*62.83	60.45
Hours—			
All manufacturing	41.8	41.2	41.2
Durable goods	42.7	*42.0	42.2
Nondurable goods	40.7	*40.2	39.9
Hourly earnings—			
All manufacturing	$1.731	*$1.718	$1.636
Durable goods	1.841	*1.829	1.723
Nondurable goods	1,574	1.563	1.515
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39 = 100 (COPYRIGHTED) —As of Feb. 1:			
Composite index	104.8	104.8	106.2
Piece goods	97.5	97.5	98.2
Men's apparel	105.3	105.3	106.8
Women's apparel	100.5	100.5	101.9
Infants' and Children's wear	104.8	104.8	105.9
Home furnishings	107.7	*107.5	109.2
Piece goods—			
Rayon and silks	90.3	90.4	91.0
Woolens	108.4	108.6	110.9
Cotton wash goods	95.0	95.0	95.8
Domestics—			
Sheets	102.0	101.5	104.8
Blankets and comforters	120.3	120.4	123.4
Women's apparel—			
Hosiery	94.8	94.4	95.9
Aprons and housedresses	97.9	97.9	98.9
Corsets and brassieres	107.3	107.3	107.9
Furs	92.9	93.5	97.7
Underwear	99.4	99.6	101.1
Shoes	108.6	108.4	109.5
Men's apparel—			
Hosiery	106.8	106.8	106.9
Underwear	110.0	110.2	111.5
Shirts and neckwear	102.4	102.4	102.4
Hats and caps	100.2	100.2	100.3
Clothing, including overalls	102.9	102.8	105.4
Shoes	106.5	106.6	109.9
Infants' and children's wear—			
Socks	102.9	102.9	102.9
Underwear	103.0	103.0	102.9
Shoes	109.8	109.8	112.2
Furniture	108.2	108.0	108.4
Floor coverings	118.4	118.0	120.0
Radios	101.1	101.1	103.0
Luggage	100.8	100.6	101.9
Electrical household appliances	104.7	104.8	106.6
China	101.3	101.2	101.2
INDUSTRIAL PRODUCTION BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, 1935-39 = 100 — Month of Dec.:			
Seasonally adjusted	235	*234	218
Unadjusted	233	*235	227
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of Jan.	£29,808,000	£6,676,000	£5,587,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of January:			
Net sales	------	------	------
Net purchases	$24,581,000	$11,696,750	$22,115,500

Continued from page 46

A Free World Can't Trade On a One-Way Street

prises will grow and create new employment opportunities.

By the same token the farmer, whose most important customer by far is the worker in the city, has a tremendous stake in the high levels of employment and the rising living standards which expanded trade will promote—not to mention his very direct interest in large-scale exports.

The Consumer Will Be Helped

And what about the poor consumer? Is he getting a fair shake today? First he is hit in the pocketbook by taxes to support foreign aid programs, which would not be necessary if we expanded our trade. Then he goes out with that deflated pocketbook and has to pay higher prices for almost everything he buys, because of direct tariffs or because a sheltered American industry is able to sell on a relatively non-competitive basis.

It just doesn't make sense for you and me to subsidize inefficiency in our economy.

I would like to read to you the words of one American industrialist who saw world trade not as a peril but as a challenge and opportunity to all of us. This is a rather long quotation, but I want to read it all, because I like it and I hope you will, too.

"Business thrives," I quote, "on competition. Nobody does his best if he knows no one is competing with him. Comfortably tucked away behind a tariff wall which shuts out all competition and gives industry an undue profit which it has not earned, the business of our country would grow soft and neglectful. . . .

"We need competition the world over to keep us on our toes and sharpen our wits. The keener the competition, the better it will be for us. . . .

"Instead of building up barriers to hinder the free flow of world trade, we should be seeking to tear existing barriers down. People cannot keep on buying from us unless we buy from them, and unless international trade can go on, our business will stagnate here at home.

"As for a tariff wall to shut out foreign goods, I feel certain we could hold our own without any wall at all. . . .

"Why not let those countries which can produce these things better than we, do so, while we turn our attention to the production of things in which we excel. That would provide work for everybody to do the world over, and in the exchange of these products world trade would thrive, bringing busy times and prosperity for us all."

Those words were spoken more than 20 years ago—by my grandfather in opposing the Smoot-Hawley tariff bill in 1930.

If those words are still applicable today—and I believe they are—so, to a very serious degree, is the menace of the Smoot-Hawley philosophy.

"Give Our Friends a Fair Crack At the American Market"

We businessmen constantly applaud competition and private enterprise, and damn socialism and planned economies. We accuse our foreign neighbors of lacking the kind of spirit which has made American industry great. We implore them to follow our example and get off our backs. So I just say, let's practice what we preach, where it will do us and our allies some real good.

Let's give our friends a fair crack at the American market.

I suppose many of you are wondering how this tariff question affects the automobile industry.

First let me tell you how Ford Motor Company became the first free trader in our industry — a fact of which we are pretty proud.

In the early days, automobile dealers had their own private trading areas, so to speak—restricted areas in which no other dealer of the same make could do business. In other words, each dealer was "protected"—so much so that he could afford to take things easy if he wanted to. Competition between dealers of the same make was stifled, since an aggressive, successful dealer in one area could not move in on the complacent one in a neighboring district.

One day in 1921, a dealer came to my grandfather protesting that he couldn't sell a Model T to his own Aunt Lucy, who happened to live about a block outside his district. My grandfather, apparently realizing for the first time the implications of these protective trade barriers, at once removed all area restrictions from Ford dealerships. Aunt Lucy got her Model T from nephew that day, and soon Ford sales began to climb all across the country. The whole industry followed suit and automobile sales were given a tremendous boost.

So I feel I have solid precedent in suggesting here that we apply the same kind of thinking to the whole free world.

Today imports do not significantly affect the domestic automobile industry. A total of only about 100,000 foreign cars are now registered in the United States as against more than 40 million American cars.

But foreign cars have gained at least a toe-hold in our market. In many parts of the country, small or luxury foreign cars are no longer looked upon as oddities. Adequate facilities for parts and servicing have been developed.

In sport car races at Watkins Glen, New York, and elsewhere throughout the country, the imagination of motor-minded Americans has been captured by the high standards of performance, style and engineering of European sports cars.

I think that changing circumstances and changing consumer attitudes might very possibly place imports in a stronger competitive position with our industry in the future.

Take the case of Great Britain. In 1937, a peak prewar year, British cars worth $325,000 were sold in this country. In 1951, Britain earned almost $25 million in sales of cars to us. In terms of units, this was a 70-fold increase.

But as far as Ford Motor Company is concerned, we intend to meet foreign competition in the marketplace and not in the halls of the Tariff Commission.

Get Rid of 10% Tariff On Automobiles

I believe we ought to get rid of the 10% tariff on automobiles at once.

Since this is open season for giving advice to the new Administration, I guess there's no harm in chipping in with some of my own. Without going into detail, I would suggest that a wholehearted effort be made along the following lines:

First, we should write a new law without loopholes encouraging the most rapid possible elimination of all tariffs. By making gradual reductions in hardship cases, the few industries really seriously affected would have an opportunity to adapt themselves to new conditions. We should drop the Smoot-Hawley Tariff and the now outmoded Reciprocal Trade Agreements Act, which has been pretty well riddled with holes in its yearly treks through Congress.

Second, we should abandon completely the quota system, which is contrary to every principle of free enterprise. Under quotas, regardless of price, demand or any other factor, only a fixed amount of a product can come into the country.

I have heard of a serious proposal, with powerful backing, to place every single import under a quota based on present import levels. Such an act would not only immediately and permanently limit imports at present levels; it would gradually dry up all our trade as the pattern of demand rapidly shifted away from its present position. This, it seems to me, is the most dangerous kind of high tariff thinking.

Drop "Buy America" Pressures

Third, we should abandon the Buy America Act. The effect of that Act is to prohibit the federal and some state and local governments from buying foreign goods unless they are priced at least 25% under the lowest domestic bid. Very few importers can make that low a bid, particularly after paying customs duties on their products.

The Federal government alone now purchases about $20 billions worth of goods a year. Buy America may cost us as much as one-half billion dollars a year, according to one estimate. If Buy American provisions and pressures were dropped, as well as import duties, an important stimulus to imports and large savings to the taxpayer would result.

Recently, for example, a foreign manufacturer, after paying a 45% import duty, underbid two American firms by substantially more than 25% on an Army contract. In subsequent bids, the Americans oddly enough, were able to come down almost 50%. That brought them just within the 52% Buy American margin. The Army ultimately split the purchase between the American and foreign firms, saving you and me about half of the potential tax costs plus the import duties paid by the foreign firm—but appeasing at the same time the domestic producers.

Fourth, we should enact promptly a workable law for simplifying customs procedures. Many of those procedures have the intended purpose of submerging imports under a virtually impenetrable cascade of red tape. They tell me that down in Washington there are books of customs regulations just as thick as the Chicago phone book, of paper just as fine, and print just as small.

Recently an Eastern publisher told me this sad tale: He had bought 100 tons of book paper from England, which arrived in a Philadelphia customs warehouse about six months ago. He went down to get his paper and instead got the third degree treatment. How much did you pay for this? Well, how do we know that's all you paid? Is that a fair market price? Well, in that case, is it a fair market price in England? Sorry, we can't let you have the paper until we find out.

Now, six months later, he still hasn't got his paper, and he is still wondering how the U. S. Customs Bureau is going to establish the fair market price of book paper in England.

Do you think that man is being encouraged to do more business abroad?

The four measures I have listed—revision of tariff laws and rapid reduction of tariffs, outlawing of the quota system, abandonment of Buy American practices, and simplification of customs procedures—all are required, it seems to me, to encourage the high level of imports which could mean so much to our healthy growth, and which must precede the freeing of trade among the many nations who depend upon us for leadership.

I believe this trade program can and should be sold on the basis of the practical self-interest it represents.

I am well aware that of the measures proposed here—and they are certainly not original with me—no single one is going to bring about a millenium in world trade. Taken as a whole, however, they strike me as a tool which can crack the hard shell of the free-world trade problem.

The point is that it's up to us as a free-world leader to get out in front and lead. That means doing first the things which we are now able to do. We certainly are not going to solve anything by dwelling on the difficulties and sitting on our hands.

Should Buy More Military Goods Abroad

Reduction of our own trade barriers ought to be supplemented by a number of related efforts.

For example, the spending of military aid dollars to purchase goods abroad—usually called off-shore procurement—helps a good deal to relieve the dollar gap and stimulate expansion of capacity and military output abroad.

I believe we should buy even more foreign military goods, both for NATO and our own defense setup—and I mean motor vehicles, too—where it is sound economy to do so. This is a healthy, competitive way of strengthening our friends. If other countries can turn out equipment the Army wants at a saving to the American taxpayer, then any U. S. manufacturer who demands that the taxpayer, in effect, subsidize his higher prices is in a pretty untenable position.

Another important attack on the dollar gap lies in stimulating greater investment of private American dollars abroad. It seems to me that we could do a lot more to promote a more favorable climate for investment abroad. We should at least intensify our diplomatic efforts to obtain fair treatment of American interests abroad, guaranties against expropriation of property, and the elimination of inequitable double taxation.

Let me say this to our friends abroad: If foreign countries want American private capital, it's fair to ask that they act in a way which will encourage the American investor. Many of us were shocked recently to read that Bolivia and Uruguay had submitted, and the Economic Committee of the UN General Assembly had adopted, a resolution formally approving the right of any nation to nationalize foreign investment properties within its borders. The United States stood alone in opposing that resolution.

This action was a direct and, it seems to me, pointless slap at the forces in this country most friendly to the United Nations, international cooperation and international investment. As a businessman, I wonder how the United States can, in good conscience, urge its people to invest abroad in the face of such attitudes.

One more point needs very much to be made at this time, in my opinion.

Rightly or wrongly, the American people and most foreign peoples feel that American business will be a more powerful force in the councils of the new Administration. Rightly or wrongly, the Republican Party and industry are associated in the minds of many peoples with high tariffs and isolationism.

I think, therefore, that a particularly great responsibility falls upon American industry to give the new Administration real support in its efforts to strengthen the free world through "Trade, Not Aid."

I think private enterprise must make a head-on assault on these problems, based on the managerial know-how and the spirit of venture which is the soul of our capitalistic economy.

After all, what is needed more than American dollars and American goods in the world today is American business know-how. And by "know-how" I do not mean just the tricks and techniques of mass production. I mean our driving belief that no problem is insurmountable, and that nothing is being done as well as it could be done.

This is the one truly revolutionary force in the world today.

We have an unparalleled and long-awaited opportunity to bring that force into action. It we do so, then we can perhaps make this the beginning of a golden age in world history.

Will American industry recognize and accept this opportunity?

I hope we will.

Continued from page 5

Observations . . .

Gilberts' name for the proxies named by the management, and in any boxes or similar space provided for the purpose, indicate clearly how the desires to vote.

In the case of elections to office, proxies received by them will be voted for the management slate of nominees unless they are otherwise instructed by the sender of the proxy, or unless in the case of a proxy contest the stockholder either desires them to vote for an opposition slate of nominees and having substituted one of their names as proxy, sends them the proxy form furnished by the persons supporting such opposition slate; or else desires them to use their own discretion and having made similar substitution of names of proxies, sends them the form of proxy furnished by each party to the contest. Discretionary power is asked for to use in case of floor resolutions offered by others on matters not known to be coming before the meetings and hence not described in the company proxy statement.

Such representation at the meetings the Gilberts furnish gratis.

More Sandwiches and Ice Cream!

Executive compensation, pensions, stock options, stock holdings by directors, management attitude toward labor, are some of the substantive items which the brothers will relentlessly explore, and report on to their "wards." Considerable attention—too much, it is felt in some quarters—is also given to the "mechanics" aspect of the management-stockholder relationship. Thus much is made of the inconvenience of the location of meetings away from New York City (even when bus transportation-cum-sandwiches are provided), need for regional meetings, the televising and more voluminous reporting of the proceedings, the format (as to shape as well as size) and cost of the annual reports, auditing and the conduct of the meeting—that is, the manners of the presiding officer; and including the quantity and quality of the luncheon menu. ("It was

downright absurd for National Dairy not to offer its stockholders anything.")

Incomplete Coverage

As the Gilberts freely admit, the "coverage" by themselves and the other self-appointed stockholder representatives of both individual companies and of corporate questions is limited—because of physical limitations and impossibility of owning stock in all companies. Thus their treatment inevitably has the characteristic of pot-shottiness.

A Crucial Decision for the Closed-End Fund Holder

A timely example of a question to which these people do not get around, is whether, where it is appropriate, existing closed-end investment companies should be transformed into open-end funds; thus closing up the prevalent discounts on them, and giving the shareholders the option of either cashing-in their holdings at an appreciation of 20-40% immediately; or else of continuing their participation with the continuing permanent privilege of redemption at such an appreciated price. In the case of Adams Express, a stockholder's resolution to this effect has been introduced on the fund's proxy statement to be voted on at the annual meeting next week.

Corporate Gifts

Another question that might engage serious consideration by, or on behalf of, the public shareholder, for the elicitation of constructive conclusions, is the propriety of corporations to make philanthropic gifts. This matter is rendered particularly timely now by the stockholders' suit being brought against the A. P. Smith Manufacturing Company in the New Jersey Superior Court; wherein its right to contribute to Princeton University and other communal funds to donate money to institutions of higher education is being challenged. This is objected to on the ground that such gift is outside proper corporate functioning, having no relation to, and in no way tending to promote any of the objects of the corporation, and that "it would constitute the expenditure of corporate funds for a purpose foreign to the objects of the Company and would, therefore, be a misapplication of such funds." The payment of a pledged contribution to Princeton is being withheld pending the Court's final judgment.

This question is fraught with the most crucial implications for the survival of free unsocialized philanthropy as well as corporate ethics.

A Stockholders' Union?

Such "omissions" by the free-lancers would seem to highlight the constructive place of a permanent, objective, non-demagogic shareholders' organization. Under the right auspices (so difficult a goal), such a body could serve both the companies and the shareholders by guiding them on all the various forbidding matters that should receive their intelligent attention. And it would promote continuing shareholder participation in their companies' affairs—the cornerstone of democratic capitalism.

Continued from page 8

NSTA Notes

activities headed by Mrs. Polly Freear, Fort Worth (Landon A. Freear, William C. Edwards & Sons).

If any members feel they would like to serve on any of the committees mentioned above, please advise the Chairman of the committee, any member of the executive council, or contact Harry L. Arnold, Goldman, Sachs & Co., New York City, President, direct. Also, if any members have any suggestions or recommendations that will improve the service of the Association, please pass them on; they will be given every consideration.


Preston L. Phipps


Paul A. Ludlam


Neil D'Amico

SECURITY TRADERS ASSOCIATION OF PORTLAND

At the recent annual business meeting of the Security Traders Association of Portland, the following officers were elected:

President—Preston L. Phipps, E. M. Adams & Co.

Vice-President—Paul A. Ludlam, Merrill Lynch, Pierce, Fenner & Beane.

Secretary-Treasurer—Neil C. D'Amico, Dean Witter & Co.

Dan V. Bailey, retiring President, reported on the recent National Convention of the National Security Traders Association held at Miami Beach, Fla., which he attended as a delegate from the Security Traders Association of Portland.

Plans were discussed for this year's National Convention which will be held at San Valley, Idaho. In view of the proximity of this western location, the Portland affiliate expects to play an active part in, and be well represented at this year's convention.

Plans were also discussed to promote better dissemination of financial information by corporations located in and around Portland who have stock in the hands of the public in this area and whose securities are actively traded here.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Feb. 5, 1953 is as follows:

Team—	Points
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	15½
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	15
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	13
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	12
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard Corby	12
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	11
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	9
Growney (Capt.), Craig, Fredericks, Bies, McGovern	8½
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	7
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold	6
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	5½
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	5½

200 Point Club
Jack Manson 213

5 Point Club
Hoy Meyer

Will There Be a "Floating" Pound Sterling?

By PAUL EINZIG

Dr. Einzig, in commenting on purpose and problems facing proposed March conference of the British Foreign Minister and the Chancellor of the Exchequer in Washington, discusses pros and cons of return to free exchange market of sterling. Points out if Britain were to unpeg sterling, such unpegging would extend to whole Sterling Area as well as non-sterling countries, and the Bretton Woods System of limited exchange fluctuations would end with a return of competitive exchange depreciation.

LONDON, Eng. — When Mr. Eden and Mr. Butler will see members of the United States Administration in Washington on March 4, they are expected to declare Britain's readiness to resume the convertibility of sterling at a comparatively early date, provided that the conditions attached to it by the recent Commonwealth Economic Conference are fulfilled. These conditions may be summarized as follows:


Dr. Paul Einzig

(1) The Sterling Area gold reserve must be reinforced by dollar loans and supplemented by increased facilities with the International Monetary Fund.

(2) Convertibility is to be confined to current transactions of a genuine commercial character.

(3) Sterling holdings accumulated from past transactions are to be made convertible gradually over a period of years.

(4) Simultaneously with Great Britain and the Sterling Area other countries, especially, Italy, the Low Countries, Western Germany, the Scandinavian countries and possibly France are to resume the convertibility of their currencies.

(5) There is to be an all-round increase in the price of gold in terms of all currencies including the U. S. dollar.

(6) The United States Administration should undertake to do its utmost to liberalize American Tariff Policy and procedure.

(7) The International Monetary Fund is to relieve Britain of the obligation to maintain the exchange rate of sterling within a narrow range on either side of its present parity.

This latter condition is regarded to be of considerable importance. After long hesitation of government has now adhered to the view of Mr. Oliver Lyttleton, the Colonial Secretary, who has always been in favor of setting the pound free both in the sense of making it convertible and unpegging it. In recent months his view received growing support on the part of some influential Treasury and Bank of England officials. This was because of the growing strength of sterling in the foreign exchange market. At the time of writing the sterling dollar rate is in the close vicinity of $2.82 at which rate the exchange equalization account has undertaken to intervene to prevent a further rise. This means that if sterling were unpegged at present it would undoubtedly appreciate considerably above its present rate. A floating pound would mean therefore not a depreciating pound but an appreciating pound, at any rate for the time being.

The view is held in many quarters in Britain that such an improvement in the terms of trade would be highly beneficial from the point of view of the accumulation of a gold reserve because the loss of markets through more expensive sterling would be more than offset by the increase of the proceeds of the remaining exports. This view is based on the assumption that under full employment and owing to rearmament requirements it is impossible to increase the quantity of exports materially so that it is to the interests of Great Britain to increase the price of the limited exportable surplus in terms of foreign currencies. No doubt this assumption is correct as far as many engineering products and heavy equipments are concerned. Many engineering and shipbuilding concerns could easily increase their exports but for the fact that they are unable to quote early delivery dates. From the point of view of these industries an appreciation of sterling would make no difference to the quantity of their exports.

The situation is totally different, however, in respect of many industries producing consumer goods, especially textiles. There is a growing foreign competition and an increase of the cost of these goods in terms of foreign currencies resulting from an appreciation of sterling would constitute a grave handicap. It is of course difficult to form a definite opinion how the losses of these industries would compare with the gains derived from the higher yield of the exports of industries producing capital goods. From this point of view the adoption of a floating pound would be a gamble which Britain could ill afford at present.

What those in favor of the floating pound have in mind is that from time to time situations are apt to arise in which it would be obviously advantageous to allow sterling to appreciate or depreciate. Under existing arrangements such opportunities have to be missed again and again because it is bound to take time for the Cabinet to decide to alter the existing rate and even more time to come to agreement on the change with the International Monetary Fund and the Washington Administration. Should the floating pound be adopted it is not intended to float freely. It would not be at the mercy of speculative or even temporary commercial influences. Its fluctuations would be controlled by the British authorities. The difference compared with the present arrangements is that it would then be possible to change the exchange rates of sterling by administrative decisions at a moment's notice. It is recalled that this freedom worked out satisfactorily during the 'thirties.

Needless to say, the present arrangement would not be abandoned without the consent of the United States Government. Britain is bound under the terms of the Loan Agreement of 1945 to observe the Bretton Woods Plan under which sterling must be kept rigidly stable. Wishful thinkers among the supporters of the idea of a floating pound optimistically assume that no difficulty would be encountered in Washington. After all the United States raised no objections, as far as is known, to the abandonment of exchange stability by the Canadian Government and the adoption of the floating Canadian dollar. What these people fail to see is that Britain and Canada are in totally different positions. Canada is more than self-supporting and does not depend on United States financial support. Nor is the Canadian dollar, important as it is, of comparable importance to sterling from the point of view of international exchange stability. Canada's example has not been followed by any country. If Britain were to unpeg sterling that would mean the unpegging of the currency of the entire Sterling Area and the example would be followed immediately by a large number of non-sterling countries. The Bretton Woods System would come to an end and the world would be back in the state of competitive currency depreciations experienced in the 'thirties. The only essential difference would be that this time there would be competitive currency appreciations as well as depreciations. It seems most unlikely that the United States would accept such a retrograde step even for the sake of securing the convertibility of sterling.

Morgan Stanley Group Offers Utility Bonds

Morgan Stanley & Co. heads an underwriting group which is offering for public sale today (Feb. 19) a new issue of $25,000,000 Niagara Mohawk Power Corp. General mortgage bonds, 3½% series due Feb. 1, 1983. The bonds are priced at 101¾% plus accrued interest to yield approximately 3.406% to maturity. The issue was awarded at competitive sale yesterday.

Proceeds of the sale together with the proceeds from an earlier public sale of 1,000,000 shares of additional common stock will be used by the company to pay $40,000,000 of bank loans incurred for construction in 1952, to reimburse the company's treasury and to finance a part of the company's construction program, which is expected to require about $70,484,000 in 1953. The construction program of the company has required about $240,000,000 in the last five years.

The 1952-1953 program includes projected new steam-electric and hydro-electric plants which will increase the company's capacity by about 557,650 kw. by the end of 1954.

The new bonds are redeemable at 104.75% if redeemed during the 12 months ending Jan. 31, 1954 and thereafter at prices decreasing to 100% if redeemed after Jan. 31, 1982. Special redemption prices range from 101.75% on or before Jan. 31, 1954 to the principal amount after Jan. 31, 1982.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Alaska Oil & Gas Development Co., Inc.
Feb. 2 (letter of notification) 250,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To drill wells. **Office**—Anchorage, Alaska. **Underwriter**—None.

American Alloys Corp., Kansas City, Mo.
Dec. 15 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—McDonald-Evans & Co., Kansas City, Mo.

American Pipeline Producers, Inc.
Jan. 5 (letter of notification) 599,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—To drill wells. **Office**—Room 308, Texas Eastern Bldg., Shreveport, La. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

★ Arizona Public Service Co. (3/11)
Feb. 16 filed 378,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To finance capital expenditures. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., both of New York.

Atlanta Gas Light Co. (3/4-5)
Feb. 11 filed 80,255 shares of common stock (par $10) to be offered to common stockholders at rate of one new share for each 10 shares held on or about March 4. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans issued in connection with company's construction program. **Underwriters** — The First Boston Corp., New York; and Courts & Co. and the Robinson-Humphrey Co., Inc., both of Atlanta, Ga.

Automobile Banking Corp., Philadelphia, Pa.
Jan. 15 (letter of notification) 29,000 shares of 6% cumulative preferred stock, series A, of which a maximum of 15,927 shares were offered on Jan. 27 first for subscription by class A and comomn stockholders at rate of one new share for each five old shares held (with an oversubscription privilege); rights to expire on Feb. 26. **Price**—At par ($10 per share). **Proceeds**—To increase working capital. **Underwriter**—Bioren & Co., and H. G. Kuch & Co., both of Philadelphia, Pa.

• Baker Properties, Inc. (2/20)
Jan. 26 filed 5,181 shares of common stock (par $1) and "deferred obligations" to pay an aggregate of $333,-492.75. **Proceeds** — To defray cost of making payment of deferred obligations issued pursuant to the warrants and, if there is excess, for working capital. **Business**—Real estate. **Office**—510 Baker Bldg., Minneapolis, Minn. **Underwriter**—None.

• Bi-Metals Corp., Cleveland, Ohio
Jan. 27 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For equipment and working capital. **Office** — 1302 Ontario St., Cleveland 13, Ohio. **Underwriter**—None.

Big Basin Oil, Inc., Holyoke, Colo.
Dec. 8 (letter of notification) 1,100,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To repay notes, and for drilling expenses and new equipment. **Underwriter**—E. I. Shelley Co., Denver, Colo.

• Big Horn-Powder River Corp., Denver, Colo.
Jan. 30 (letter of notification) 565,220 shares of common stock (par 10 cents) being offered first for subscription by stockholders at rate of one new share for each nine shares held as of Feb. 6; rights to expire on Feb. 28. **Price**—25 cents per share. **Proceeds**—For drilling expenses. **Office**—702 Ernest and Cranmer Bldg., 930 Seventeenth St., Denver, Colo. **Underwriter**—None.

★ Birmingham (Ala.) Lead & Smelting Co., Inc.
Feb. 9 (letter of notification) 150,000 shares of preferred stock (par $1) and 150,000 shares of common stock (par 1 cent) to be offered in units of one share of each class of stock. **Price**—$1.16 per unit. **Proceeds**—To purchase land and equipment. **Underwriter**—Carlson & Co., Birmingham, Ala.

★ Bond and Stock Fund, Inc., Spokane, Wash.
Feb. 13 filed 110,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

Bunker-Chance Mining Co., Portland, Ore.
Jan. 12 (letter of notification) 1,000,000 shares of class B assessable stock. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office** — 6485 N. W. St. Helens Road, Portland, Ore. **Underwriter**—Standard Securities Corp., Spokane, Wash.

Brunner Manufacturing Co.
Jan. 26 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market (about $5.37½ per share). **Proceeds**—To improve plant and for new machinery. **Office**—1821 Broad St., Utica, N. Y. **Underwriter**—None.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,-500 of outstanding notes and for drilling expenses and working capital. **Underwriters** — Dallas Rupe & Son, Dallas, Texas; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed temporarily.

★ Canada General Fund, Inc., Boston, Mass.
Feb. 13 filed 1,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Vance, Sanders & Co., Boston, Mass.

Carborundum Co., Niagara Falls, N. Y. (2/26)
Feb. 4 filed 271,940 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriter**—The First Boston Corp., New York.

Central Maine Power Co. (3/10)
Feb. 9 filed $10,000,000 of first and general mortgage bonds, series U, due March 1, 1983. **Proceeds**—To refund outstanding short-term notes and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler; Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly). **Bids**—Tentatively expected to be received on March 10.

Charter Oil Co., Ltd., Calgary, Alta. (3/3-5)
Feb. 10 filed 900,000 shares of capital stock (par $1-Canadian). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Lehman Brothers and Bear, Stearns & Co., both of New York.

★ Childs Food Stores, Inc. Jacksonville, Tex.
Feb. 4 (letter of notification) 20,000 shares of class A common stock (no par). **Price**—$11.50 per share. **Proceeds**—For working capital. **Underwriter**—None. **Address**—P. O. Box 211, Jacksonville, Tex.

• Cinerama, Inc., New York (3/2-6)
Feb. 4 filed $2,000,000 of 4% convertible debentures due 1958. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Gearhart & Otis, Inc., New York; and White & Co., St. Louis, Mo.

Code Products Corp., Philadelphia, Pa.
Dec. 1 filed 500,000 shares of 6% cumulative preferred stock (par $1) and 255,000 shares of common stock (no par—stated value $1) to be sold in units of two shares of preferred and one share of common stock. **Price**—$3 per unit. **Proceeds** — For working capital. **Business** — Manufactures electrical equipment. **Underwriter**—None. Company intends to offer securities to broker-dealers for public offering.

★ Cooperative Grange League Federation Exchange, Inc.
Feb. 13 filed 50,000 shares of 4% cumulative preferred stock (par $100) and 700,000 shares of common stock

NEW ISSUE CALENDAR

February 19, 1953
Illinois Central RR.____________Equip. Trust Ctfs.
(Bids noon CST)
Lehman Corp. ____________Common
(Lehman Brothers)

February 20, 1953
Baker Properties, Inc.____________Common
(No underwriting)
Resort Airlines, Inc.____________Common
(Offering to stockholders—no underwriting)

February 25, 1953
English Oil Co.____________Common
(J. A. Hogle & Co)
Maine Central RR.____________Bonds
(Bids noon EST)

February 26, 1953
Carborundum Co.____________Common
(The First Boston Corp.)
Maryland Casualty Co.____________Common
(Offering to stockholders—underwriters may include Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Lehman Brothers; and Paine, Webber, Jackson & Curtis)
McKesson & Robbins, Inc.____________Debentures
(Goldman, Sachs & Co.)

March 2, 1953
Central RR. of New Jersey______Equip. Trust Ctfs.
(Bids to be invited)
Cinerama, Inc.____________Debentures
(Gearhart & Otis, Inc. and White & Co.)
Texas Oil Exploration Co.____________Common
(Peter W. Spiess Co.)

March 3, 1953
Charter Oil Co., Ltd.____________Common
(Lehman Brothers and Bear, Stearns & Co.)
Indianapolis Power & Light Co.____________Bonds
(Bids to be invited)
New England Power Co.____________Preferred
(Bids noon EST)
North American Royalties, Inc.____________Common
(Lehman Brothers)
Pacific Northern Airlines, Inc.____________Common
(Emanuel, Deetjen & Co. and Hayden, Stone & Co.)

March 4, 1953
Atlanta Gas Light Co.____________Common
(The First Boston Corp.; Courts & Co.; and The Robinson-Humphrey Co., Inc.)
New York Central RR.__________Equip Trust Ctfs.
(Bids to be invited)

March 5, 1953
Chicago & Eastern Illinois RR.____Equip. Tr. Ctfs.
(Bids noon CST)
Chicago & North Western RR.____Equip. Tr. Ctfs.
(Bids noon CST)
Federal Paper Board Co., Inc.____________Common
(Goldman, Sachs & Co.)

March 7, 1953
Lake Superior District Power Co.__________Common
(Robert W. Baird & Co., Inc.)

March 9, 1953
Fall River Electric Light Co.____________Bonds
(Bids 11 a.m. EST)

March 10, 1953
Central Maine Power Co.____________Bonds
(Bids to be invited)
Hot Shoppes, Inc.____________Common
(Johnston, Lemon & Co.)
Narragansett Electric Co.____________Bonds
(Bids noon EST)

March 11, 1953
Arizona Public Service Co.____________Common
(The First Boston Corp. and Blyth & Co., Inc.)

March 12, 1953
Chesapeake & Ohio Ry.__________Equip. Tr. Ctfs.
(Bids to be invited)

March 17, 1953
Lake Superior District Power Co.__________Bonds
(Bids to be invited)
Mississippi Power & Light Co.____________Bonds
(Bids to be invited)
Public Service Co. of New Mexico______Preferred
(Allen & Co.)
Public Service Co. of Oklahoma____________Bonds
(Bids to be invited)

March 18, 1953
Public Service Electric & Gas Co.__________Common
(Bids to be invited)

March 24, 1953
Dallas Power & Light Co.____________Bonds
(Bids to be invited)
Georgia Power Co.__________Bonds & Preferred
(Bids 11 a.m. EST)

March 25, 1953
Southern Indiana Gas & Electric Co.______Common
(May be Smith, Barney & Co.)

March 27, 1953
Merritt-Chapman & Scott Corp.__________Common
(Offering to stockholders—no underwriter)

March 31, 1953
California Electric Power Co.____________Common
(Bids to be invited)

April 6, 1953
California Electric Power Co.____________Bonds
(Bids to be invited)

April 7, 1953
Florida Power & Light Co.____________Bonds
(Bids to be invited)

April 13, 1953
Texas Electric Ser. Co.________Bonds & Preferred
(Bids to be invited)

April 14, 1953
New Orleans Public Service Inc.__________Bonds
(Bids to be invited)

April 15, 1953
Southern Co.____________Common
(Bids 11 a.m. EST)

April 17, 1953
Kentucky Utilities Co.____________Bonds
(Bids to be invited)

May 12, 1953
Alabama Power Co.____________Bonds
(Bids 11 a.m. EST)

June 9, 1953
Gulf Power Co.____________Bonds
(Bids 11 a.m. EST)

(par $5). **Price**—At par. **Proceeds**—For working capital. **Business**—Production of dairy and poultry feeds. **Office**—Ithaca, N. Y. **Underwriter**—None.

Coronado Copper Mines Corp.
Jan. 23 (letter of notification) 299,970 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire leases, for exploration expenses, to repay loans and for working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Charles J. Maggio, Inc., New York.

★ Dallas Power & Light Co. (3/24)
Feb. 16 filed $9,000,000 of first mortgage bonds due March 1, 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp., Lehman Brothers; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. **Bids**—Tentatively scheduled to be received on March 24.

★ Delta Air Lines, Inc., Atlanta, Ga.
Feb. 11 company filed an application with SEC covering proposed issue of $10,695,846 of 5½% convertible debentures (subordinated) to be issued in exchange for Chicago & Southern Air Lines, Inc., common stock under merger plan at rate of $21 of debentures for each C. & S. share. Debentures will be convertible into Delta common stock at rate of one share for each $35 principal amount of debentures.

Doug Allan TV & Film Productions, Inc.
Feb. 4 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For cost of films and working capital. **Underwriter**—Stuyvesant F. Morris, Jr., & Co., New York.

Econo Products Co., Inc.
Jan. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and working capital. **Office** — 17 State St., New York. **Underwriter**—James T. Dewitt & Co., Inc., Washington, D. C.

★ Edison (Thomas A.), Inc.
Feb. 13 (letter of notification) 3,500 shares of class B common stock (par $3⅓). **Price**—At market (about $16 per share). **Proceeds**—To Charles Edison, Chairman of the Board. **Underwriter**—Riter & Co., New York.

● English Oil Co., Salt Lake City, Utah (2/25)
Jan. 5 filed 3,435,583 shares of common stock, of which 750,000 shares are to be offered publicly, 250,000 shares are to be reserved for officers and key employees and options, and 2,435,583 shares in exchange for oil and gas properties and interests therein. **Price**—At par ($1 per share). **Proceeds**—For acquisition of additional properties and leases. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

● Fall River Electric Light Co. (3/9)
Jan. 29 filed $6,800,000 of first mortgage and collateral trust bonds due Jan. 1, 1983. **Proceeds**—To redeem $2,000,000 of 3⅛% bonds and to repay $4,800,000 of bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly); Glore, Forgan & Co.; The First Boston Corp. **Bids**—Expected to be received about March 9 at 11 a.m. (EST) at 49 Federal St., Boston, Mass.

★ Federal Paper Board Co., Inc., Bogota, N. J. (3/5)
Feb. 13 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriter** — Goldman, Sachs & Co., New York.

First Securities Corp., Philadelphia, Pa.
Jan. 21 (letter of notification) 600,000 shares of common stock (par one cent) which includes 22,190 shares being reoffered to the previous purchasers. **Price**—25 cents per share. **Proceeds** — For expansion of business and for working capital. **Underwriter** — First Securities Corp., Philadelphia, Pa.

● First Springfield Corp., Springfield, Mass.
Feb. 9 filed 20,000 shares of capital stock (par $10). **Price**—At market. **Proceeds** — For investment. **Underwriter**—D. J. St. Germain & Co., Springfield, Mass.

Frito Co., Dallas, Tex.
Jan. 26 filed 115,000 share of convertible preferred stock (par $7.50), of which 85,000 shares will be offered publicly and 30,000 shares to employees. **Price** — To public, $10 per share; to employees, $9 per share. **Proceeds**—For expansion of business and general corporate purposes. **Business**—Manufacture and sale of food products. **Underwriter**—Dittmar & Co., San Antonio, Tex.

★ Gem State Consolidated Mines, Inc., Boise, Ida.
Feb. 2 (letter of notification) 20,000 shares of capital stock (par five cents). **Price**—40 cents per share. **Proceeds** — For mining expenses. **Office** — 3620 Sycamore Drive, Boise, Ida. **Underwriter**—None.

★ Gillette Co., Boston, Mass.
Feb. 13 (letter of notification) 9,000 shares of common stock (par $1), to be offered to employees under stock purchase plan. **Price**—At market (about $35 per share). **Underwriter**—None.

Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

● Gulf Insurance Co., Dallas, Tex.
Jan. 19 (letter of notification) 5,000 shares of capital stock (par $10) being offered for subscription by stockholders of record Feb. 11 on basis of one new share for each 35 shares held; rights to expire on March 3. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Address**—P. O. Box 1771, Dallas, Texas. **Underwriter**—None.

Gyrodyne Co. of America, Inc.
Nov. 13 filed 350,000 shares of class A common stock (par $1), to be offered for subscription by stockholders of record Dec. 22, 1952, on a pro rata basis; rights to expire on Feb. 28, 1953. The offering will include 50,000 shares to directors, officers and employees of the company and to certain individuals and firms in payment for services. **Price** — $5.75 per share. **Proceeds** — For engineering and construction of prototype coaxial helicopter. **Office**—St. James, L. I., N. Y. **Underwriter**—None.

★ Hot Shoppes, Inc., Washington, D. C. (3/10)
Feb. 17 filed 229,880 shares of common stock (par $1), of which 195,880 shares are to be sold publicly for the account of three selling stockholders, and 34,000 shares by the company of which 16,000 shares will be offered to public and 18,000 shares to employees of the company. **Price**—To be supplied by amendment. **Proceeds**—To company, for working capital, etc. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

Indianapolis Power & Light Co. (3/3)
Feb. 9 filed $10,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Union Securities Corp.; W. C. Langley & Co., White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Equitable Securities Corp. **Bids**—Expected March 3.

★ Inspiration Lead Co., Inc., Wallace, Ida.
Jan. 26 (letter of notification) 2,000,000 shares of common stock. **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—507 Bank St., Wallace, Ida. **Underwriter**—Mine Financing, Inc., Wallace, Ida.

● Interprovincial Pipe Line Co. (Canada)
Feb. 6 filed 1,500,000 shares of capital stock (par $5) to be offered for subscription by stockholders. (Imperial Oil Ltd. owns 33.36% and Canadian Gulf Oil Co. 10.01% of the outstanding stock.) **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Offices**—Toronto, Ont., and Edmonton, Alta. **Underwriters**—Wood, Gundy & Co., and McLeod, Young, Weir, Inc.; both of New York and Toronto.

Ispetrol Corp., New York
Oct. 29 filed 49,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To finance purchase of crude oil for Israeli enterprises and to purchase crude oil and oil products for resale in Israel. **Underwriter**—Israel Securities Corp., New York.

Israel Industrial & Mineral Development Corp.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

★ Israel Overseas Corp. of New York
Feb. 17 filed 16,000 shares of capital stock par $1 and $3,400,000 of 20-year debentures to be offered in units of eight shares of stock and $1,700 principal amount of debentures. **Price**—$2,500 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ Kansas-Nebraska Natural Gas Co., Inc.
Feb. 9 (letter of notification) 4,000 shares of common stock (par $5). **Price**—At market. **Proceeds**—To Executors of will of Louis E. Fischer. **Underwriters**—Harold E. Wood & Co., St. Paul, Minn.; Cruttenden & Co., Chicago, Ill., and The First Trust Co. of Lincoln, Neb.

Kirk Uranium Corp., Denver, Colo.
Feb. 6 (letter of notification) about 900,000 shares of capital stock (par one cent). **Price**—30 cents per share. **Proceeds**—For mining expenses. **Office**—405 Interstate Trust Bldg., Denver 2, Colo. **Underwriter**—Gardner & Co., New York.

★ Lake Superior District Power Co. (3/7)
Feb. 16 filed 29,761 shares of common stock (par $20) to be offered for subscription by common stockholders of record Feb. 25 on the basis of one new share for each nine shares held; rights to expire on March 23. Subscription warrants are expected to be mailed on March 7. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Robert W. Baird & Co., Inc., Milwaukee, Wis.

★ Lake Superior District Power Co. (3/17)
Feb. 16 filed $2,000,000 first mortgage bonds, series E, due March 1, 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Robert W. Baird & Co., Inc. **Bids**—Bids are expected to be opened on March 17.

● Lehman Corp., New York (2/19)
Jan. 30 filed 37,800 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Estate of Allan S. Lehman, deceased. **Underwriter**—Lehman Brothers, New York. **Offering**—Expected after close of market today (Feb. 19).

Maryland Casualty Co., Baltimore, Md. (2/26)
Feb. 5 filed 475,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Feb. 21; rights to expire about March 12. **Price**—To be supplied by amendment. **Proceeds** — To increase capital and surplus. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

McKesson & Robbins, Inc., N. Y. (2/26)
Feb. 6 filed $15,000,000 of sinking fund debentures due March 1, 1973. **Price** — To be supplied by amendment. **Proceeds**—To finance increased inventories and receivables. **Underwriter**—Goldman, Sachs & Co., New York.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

Mines Management, Inc., Wallace, Idaho
Jan. 19 (letter of notification) 400,000 shares of common stock. **Price**—75 cents per share. **Proceeds**—For exploration and development. **Offices**—507 Bank St., Wallace, Idaho, and W. 909 Sprague Ave., Spokane, Wash. **Underwriter**—None.

★ Mississippi Power & Light Co. (3/17)
Feb. 11 filed $12,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; The First Boston Corp. and W. C. Langley & Co. (jointly). **Bids**—Tentatively expected on March 17.

★ Moen Ladder Co., Inc., Spokane, Wash.
Feb. 5 (letter of notification) 200,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To operate plant and for raw materials. **Office**—956 E. 10th St., Spokane, Wash. **Underwriter**—None.

Murphy (A. A.) & Co., Inc., St. Paul, Minn.
Feb. 3 (letter of notification) 2,000 shares of 6% prior preferred stock, 1947 series. **Price** — At par ($50 per share). **Proceeds**—For working capital. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

Narragansett Electric Co. (3/10)
Feb. 10 filed $10,000,000 of first mortgage bonds, series D, due March 1, 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co.; Blyth & Co., Inc., and Harriman Ripley & Co. Inc. (jointly). **Bids**—To be received up to noon (EST) on March 10 at company's office.

New England Power Co. (3/3)
Feb. 4 filed 80,140 shares of new cumulative preferred stock (par $100) to be offered for subscription by present holders of 6% preferred stock on a share for share basis; rights to expire March 23. **Price** — To be supplied by amendment. **Proceeds** — For repayment of bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers. **Bids**—Scheduled to be received up to noon (EST) on March 3 at 441 Stuart Street, Boston 16, Mass.

Newton-Phoenix Oil Corp., Houston and New York
Feb. 3 filed 2,500,000 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds**—To purchase land and for drilling expenses. **Underwriter** — Morris Cohon & Co., New York.

Nielco Chemicals, Inc., Detroit, Mich.
Nov. 19 (letter of notification) 34,800 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To liquidate notes. **Office**—8129 Lyndon Ave., Detroit 21, Mich. **Underwriter**—Smith, Hague & Co., Detroit, Mich.

★ North American Royalties, Inc., Bismarck, N. D. (3/3)
Feb. 16 filed 325,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding preferred stock and bank loans and for working capital. **Underwriter**—Lehman Brothers, New York.

North Pacific Exploration, Ltd., Toronto, Canada
Feb. 4 filed 1,375,000 shares of capital stock (par 25 cents-Canadian). **Price**—$1 per share (U. S. funds). **Proceeds**—For exploration costs. **Underwriters**—Aetna Securities Corp. and L. D. Friedman & Co., Inc., both of New York.

★ Northeastern Poultry Producers Cooperative Association, Inc.
Feb. 13 (letter of notification) 800 shares of non-cumulative preferred stock. **Price**—$100 per share. **Proceeds**—For working capital. **Address**—Kingsley Brown, President, R. D. No. 2, Willimantic, Conn. **Underwriter**—None.

Northland Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20 cents—Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York. Financing may be revised.

Continued on page 52

Continued from page 51

★ **Norwich Pharmacal Co.**
Feb. 9 (letter of notificatin) not exceeding $300,000 aggregate market value of common stock (par $2.50 per share) to be offered to employees. **Price**—At market (about $21.37½ per share). **Proceeds**—None. **Office**—13-27 Eaton Avenue, Norwich, N. Y. **Underwriter**—none.

Nyal Co., Detroit, Mich.
Dec. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay loans and for working capital. **Underwriter**—Gearhart & Otis, Inc., New York.

Overland Oil, Inc., Denver, Colo.
Dec. 23 filed 300,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—To make geological survey of land. **Business**—Oil and gas exploration. **Underwriter**—None.

★ **Pacific Northern Airlines, Inc., Seattle, Wash. (3/3-4)**
Feb. 11 filed 360,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans and new equipment. **Underwriters**—Emanuel, Deetjen & Co. and Hayden, Stone & Co., both of New York.

Paley Manufacturing Corp., Brooklyn, N. Y.
Jan. 16 (letter of notification) 99,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For expansion and working capital. **Underwriter**—G. K. Shields & Co., New York.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share). **Office**—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg. 139 N. Virginia St., Reno, Nev.

Peruvian Oil Concessions Co., Inc., Dever, Del.
Jan. 16 filed 9,000,000 shares of common stock (par $1). **Price**—$1.10 per share. **Proceeds**—For general corporate purposes. **Business**—Plans to produce and sell petroleum and its products from lands to be held under concession from the Peruvian Government. **Underwriter**—None.

★ **Phillips Packing Co., Inc.**
Feb. 2 (letter of notification) 3,000 shares of common stock (no par). **Price**—At market. **Proceeds**—To selling stockholder. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

Phoenix-Campbell Corp., New York
Jan. 26 filed 40,000 shares of common stock purchase warrants and 40,000 shares of capital stock (par $1) reserved for issuance. **Price**—$10 per share for stock and five cents for the warrants. **Proceeds**—To engage in oil and gas business. **Underwriter**—Morris Cohon & Co., New York.

★ **Pioneer Oil & Gas Co., Ft. Worth, Tex.**
Feb. 4 (letter of notification) 25,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To purchase well and equipment. **Office**—207 Farm and Home Bldg., Ft. Worth, Tex. **Underwriter**—None.

★ **Pittsburgh Consolidation Coal Co.**
Feb. 13 filed $3,500,000 in participations under plan offered to eligible employees of company and 50,000 shares of common stock (par $1). **Underwriter**—None.

★ **PMX Sales Corp., Danbury, Conn.**
Feb. 10 (letter of notification) 519 shares of preferred stock and 4,904 shares of common stock. **Price**—For preferred, $100 per share; for common, $1 per share. **Proceeds** — To erect building. **Office** — Long Ridge Road, Danbury, Conn. **Underwriter**—None.

Powers Manufacturing Co.
Sept. 25 filed 250,000 shares of common stock (par $1), (later amended to 400,000 shares). **Price**—$2 per share. **Proceeds**—For machinery and equipment and new construction. **Business**—Production of heavy duty power transmission chain, sprockets, gears, etc. **Office**—Longview, Tex. **Underwriter**—Dallas Rupe & Sons, Dallas, Texas; and Straus, Blosser & McDowell, Chicago, Ill.

Ravenna Metal Products Corp., Seattle, Wash.
Jan. 30 (letter of notification) 20,000 shares of class A common stock (par $10). **Price**—$15 per share. **Proceeds**—For research and advertising program. **Office**—6518 Ravenna Ave., Seattle 5, Wash. **Underwriter**—None.

★ **Raytheon Manufacturing Co., Waltham, Mass.**
Feb. 6 (letter of notification) 4,000 shares of common stock (par $5). **Price** — $9.50 per share. **Proceeds** — To Percy L. Spencer, the selling stockholder. **Office**—Willow St., Waltham, Mass. **Underwriter**—None.

★ **Redman Process American Corp., Wilmington, Del.**
Feb. 2 (letter of notification) 100,000 shares of preferred stock to be offered for subscription by common stockholders. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office** — 228 Delaware Trust Bldg., Wilmington 28, Del. **Underwriter**—None.

Regent Manufacturing Co., Inc., Downey, Calif.
Dec. 31 (letter of notification) $150,000 of first mortgage bonds, of which 130 units will be issued at $1,020 each and 40 units at $510 each. **Proceeds**—For building and equipment. **Office**—11905 Regentview Avenue, Downey, Calif. **Underwriter** — Hopkins, Harbach & Co., Los Angeles, Calif.

★ **Richmond County Country Club (N. Y.)**
Feb. 4 (letter of notification) $130,000 of first mortgage bonds, of which approximately $25,000 principal amount are to be exchanged for outstanding collateral lien bonds on basis of $50 of first mortgage bonds and $40 in cash for each $100 of collateral lien bonds. **Price**—At par (in units of $250 or multiples thereof). **Proceeds**—For improvements and working capital. **Office** — Dongan Hills, Staten Island, N. Y. **Underwriter**—None.

Shirks Motor Express Corp. (Del.)
Jan. 8 (letter of notification) 20,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—Manheim Pike, Lancaster, Pa. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

★ **Silver States Oil & Gas Corp., Shelby, Mont.**
Feb. 9 (letter of notification) 289,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To drill wells. **Underwriter** — Hunter Securities Corp., New York.

● **South Carolina Electric & Gas Co.**
Jan. 28 filed 358,045 shares of common stock (par $4.50) being offered to common stockholders of record Feb. 18 at rate of one new share for each seven shares held, with additional subscription privileges (including subscription privileges for holders of less than seven shares of outstanding common stock subject to allotment; rights to expire on March 4. **Price**—$12 per share. **Proceeds**—For construction program. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Specialty Converters, Inc., East Braintree, Mass.**
Feb. 11 (letter of notification) 5,000 shares of common stock (par 1 cent). **Price**—50 cents per share. **Proceeds**—To Leif B. Norstrand, the selling stockholder. **Underwriter**—Stieglitz & Co., New York.

★ **Standard Petroleum Corp., Wilmington, Del.**
Feb. 9 (letter of notification) 300,000 shares of common stock (par 5 cents). **Price**—$1 per share. **Proceeds**—To drill well. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Charter Securities Corp., New York.

★ **Stanwood Oil Corp., N. Y.**
Feb. 9 (letter of notification) 6,000 shares of common stock (par five cents). **Price**—$2.25 per share. **Proceeds**—To compensate underwriter for services. **Underwriter**—Jacquin, Stanley & Co., New York.

★ **Stanzona Petroleum Corp., Phoenix, Ariz.**
Feb. 11 (letter of notification) 282,317 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For leases and other operating expenses. **Address**—P. O. Box 1468, Phoenix, Ariz. **Underwriter**—None.

Star Air Freight Lines, Inc., N. Y.
Feb. 4 (letter of notification) 149,000 shares of common stock (par $1) in units of 20 shares. **Price**—$20 per unit. **Proceeds**—To purchase Quaker City Airways, Inc. (Pa.), to purchase operating certificates and for working capital. **Office**—2 East 33rd St., New York. **Underwriter**—None.

● **Sun Fire Insurance Co., Phoenix, Ariz.**
Dec. 22 filed 1,000,000 shares of capital stock (par $1) **Price**—$1.50 per share. **Proceeds**—To qualify to do business in Arizona. **Underwriter**—None. Offering to be made initially to persent and future policyholders of company and to certain specified officers and directors Statement effective Feb. 10.

★ **Sunland Oil Co., Yakima, Wash.**
Jan. 30 (letter of notification) 40,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To drill wells. **Office**—326 Miller Bldg., Yakima, Wash. **Underwriter**—None.

★ **Taylor Laboratories, Inc., Boise, Ida.**
Feb. 11 (letter of notification) 10,000 shares of class A common stock, 1,900 shares of common stock and 5,400 shares of preferred stock. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Texas Oil Exploration Co., Ft. Worth, Tex. (3/2)
Dec. 5 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To drill oil and gas wells and for acquisition of properties. **Underwriter**—Peter W. Spiess Co., New York

★ **Uarco, Inc., Chicago, Ill.**
Feb. 11 (letter of notification) 2,800 shares of common stock (par $10). **Price**—$18.75 per share. **Proceeds**—George Buffington, the selling stockholder. **Underwriter**—Kidder, Peabody & Co., Chicago, Ill.

United Petroleum & Mining Corp., Bismarck, N. D.
Nov. 17 (letter of notification) 150,000 shares of class A voting stock and 150,00 shares of 4% class B non-voting stock. **Price**—$1 per share. **Proceeds**—To purchase oil and gas leases. **Office**—222 Main Street, Bismarck, N. D **Underwriter**—John G. Kinnard & Co., Minneapolis, Minn

United Security Life, Phoenix, Ariz.
Dec. 2 (letter of notification) 75,000 shares of class A common stock (par $1) and 2,500 participating units to be sold in units of 30 shares and one participating unit **Price**—$120 per unit. **Proceeds**—To increase capital and surplus. **Office**—7 Weldon, Phoenix, Ariz. **Underwriter**—Life Underwriters, Inc., Phoenix, Ariz.

United States Spring & Bumper Co.
Jan. 20 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To John B. Rauen, the selling stockholder. **Office** — 4951 Alcoa Ave., Los Angeles 1, Calif. **Underwriter** — William R. Staats & Co., Los Angeles, Calif.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

Western Electric Co., Inc.
Jan. 28 (letter of notification) 2,007.8 shares of common stock (no par), being offered for subscription by minority common stockholders of record Feb. 4 at rate of one new share for each 10 shares held; rights to expire on Feb. 27. American Telephone & Telegraph Co., the parent, will subscribe for an additional 1,047,992.2 shares. **Price**—$40 per share. **Proceeds**—For expansion and general corporate purposes. **Office**—195 Broadway, New York 7, N. Y. **Underwriter**—None.

Westshore Hospital, Inc., Tampa, Fla.
Dec. 3 (letter of notification) 30,000 shares of common stock (of which 1,250 shares will be issued to Dr. Samuel G. Hibbs and John R. Himes for services rendered). **Price**—At par ($10 per share). **Proceeds**—For property and equipment expenses. **Office**—349 Plant Ave., Tampa, Fla. **Underwriter**—Louis C. McClure & Co., Tampa, Fla.

York-Hoover Corp., York, Pa.
Jan. 16 (letter of notification) 12,490 shares of common stock (par $10). **Price**—$8 per share. **Proceeds**—To nine selling stockholders. **Underwriters**—Butcher & Sherrerd and Stroud & Co., Inc., both of Philadelphia, Pa.

Prospective Offerings

Alabama Power Co. (5/12)
Jan. 28 it was reported company plans issuance and sale of $18,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc. **Registration**—Planned for April 10. **Bids**—Tentatively expected at 11 a.m. (EST) on May 12.

Allied Chemical & Dye Corp.
Feb. 4 company announced that company plans to sell publicly not in excess of $200,000,000 principal amount of long-term sinking fund debentures through an underwriting group. **Proceeds**—To be used for expansion, working capital and other corporate purposes. **Underwriter**—Morgan Stanley & Co., New York.

● **Aluminium Ltd.**
Feb. 12 it was reported company may be in the market this spring with a financing program to raise about $40,000,000. A 1-for-10 offering of common stock (about 818,658 shares) is said to be under study. **Proceeds**—For expansion program. **Underwriters** — The First Boston Corp. and A. E. Ames & Co., Ltd., acted as dealer-managers in October, 1951, stock offering to stockholders.

Arkansas Power & Light Co.
Dec. 15 it was reported company may issue and sell, probably in June, 1953, about $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp. and Central Republic Co. (jointly).

Baker-Raulang Co.
Jan. 12 it was reported company late in 1953 may sell about $800,000 to $1,000,000 convertible preferred or common stock. **Proceeds**—For working capital. **Underwriters**—May be Riter & Co.; Hemphill, Noyes & Co., both of New York.

California Electric Power Co. (3/31)
Jan. 29 it was announced company plans to issue and sell 136,249 additional shares of common stock (par $1). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Union Securities Corp. and J. A. Hogle & Co. (jointly); Lehman Brothers. **Bids**—Tentatively scheduled to be received on March 31.

● **California Electric Power Co. (4/6)**
Jan. 29 it was announced company proposes the sale of $8,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc.; Lehman Brothers. **Bids**—Tentatively scheduled to be received on April 6.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of first and general mortgage bonds, see above) after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central RR. of New Jersey (3/2)
Bids are expected to be received by this company on March 2 for the purchase from it of $2,460,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ Chesapeake & Ohio Ry. (3/12)
Bids are expected to be received by the company on March 12 for the purchase from it of $7,950,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler.

★ Chicago & Eastern Illinois RR. (3/5)
Bids will be received by the company at 332 So. Michigan Avenue, Chicago 4, Ill., up to noon (CST) on March 5 for the purchase from it of $2,100,000 equipment trust certificates, series J, to be dated March 1, 1953 and to mature in 30 equal semiannual installments from Sept. 1, 1953 to March 1, 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Kidder, Peabody & Co.

Chicago Great Western Ry.
Jan. 9 William N. Deramus, 3rd, President, stated that the company is planning issuance and sale of $6,000,000 collateral trust bonds to be secured by $9,000,000 first mortgage bonds held in the treasury. **Proceeds**—To pay off $3,000,000 of notes and for working capital. **Underwriters** — To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

★ Chicago & North Western Ry. (3/5)
Bids will be received by the company at 400 West Madison St., Chicago 6, Ill., up to noon (CST) on March 5 for the purchase from it of $8,400,000 equipment trust certificates to be dated April 1, 1953, and to mature in 15 equal annual instalments from April 1, 1954, to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cinerama Productions Corp.
Jan. 9 it was reported company plans issuance and sale of about 500,000 shares of common stock. **Price**—Expected to be around $10 per share. **Underwriter**—Hayden, Stone & Co., New York.

Columbia Gas System, Inc., N. Y.
Oct. 10 it was announced company plans to issue and sell common stock and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. Company has sought SEC authority to borrow from banks an aggregate of $25,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ Consolidated Natural Gas Co.
Feb. 6 it was reported company is considering debt financing, probably a maximum of $35,000,000 to $40,000,000. If competitive, probable bidders may include: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly). **Offering**—Tentatively expected in late spring.

• Culver Corp., Chicago, Ill.
Nov. 22 it was announced that company proposes to offer to stockholders of record Jan. 13 a total of 23,640 additional shares of common stock on a share-for-share basis. **Price**—At par ($2 per share). **Proceeds**—For investment. **Office**—105 West Madison Street, Chicago, Ill. **Underwriter**—None.

★ Detroit Edison Co.
Feb. 9 it was announced company plans to issue an unspecified amount of convertible debentures, which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 will vote on authorizing the new debentures. **Underwriter**—None.

Fitchburg Gas & Electric Co.
Jan. 23 it was announced company plans to issue and sell 23,698 additional shares of capital stock (par $25) to its stockholders on a 1-for-5 basis, subject to their approval on Feb. 25. **Proceeds**—To repay short-term borrowings.

Florida Power & Light Co. (4/7)
Jan. 7 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds due 1983. **Proceeds**—To pay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc.; Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.; White, Weld & Co. **Bids** — Expected April 7. **Registration**—Tentatively planned for March 2.

Follansbee Steel Corp.
Dec. 16, M. A. Follansbee, President, said the company plans additional equity financing, totaling about $4,500,000. This may be done through a rights offering to stockholders. **Proceeds**—Together with funds from proposed $29,500,000 RFC loan, would be used for expansion program. **Underwriters**—May include Cohu & Co., New York. **Offering**—Expected in February.

General Contract Corp.
Jan. 14 stockholders voted to approve a new issue of 500,000 shares of authorized 6% cumulative convertible preferred stock (par $10). These are to be first offered for subscription by common stockholders on the basis of about one-third share for each common share held; then to holders of 5% preferred stock (par $100) and of 5% preferred stock (par $20); thereafter to holders of 5% preferred stock, series A, (par $10); and any unsubscribed shares to public. **Proceeds**—To redeem $10 par 5% preferred stock (61,881 shares outstanding at Nov. 30, 1952) and for working capital. **Price**—$11 per share. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

• General Public Utilities Corp.
Feb. 11 it was reported company is planning issuance and sale this summer of additional common stock to common stockholders on a 1-for-15 basis. Merrill, Lynch, Pierce, Fenner & Beane acted as clearing agent in last stock offer.

Georgia Power Co. (3/24)
Feb. 9, company applied to SEC for authority to issue and sell $16,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kuhn, Loeb & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Morgan Stanley & Co.; Harriman Ripley & Co. Inc. **Registration**—Planned for Feb. 20. **Bids**—Tentatively expected to be received at 11 a.m. (EST) on March 24.

Georgia Power Co. (3/24)
Feb. 9, company applied to SEC for authority to issue and sell 100,000 shares of preferred stock (no par). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders; Blyth & Co., Inc.; Lehman Brothers; Morgan Stanley & Co.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). **Bids**—Tentatively expected to be received at 11 a.m. (EST) on March 24. **Registration**—Scheduled for Feb. 20.

Gulf Power Co. (6/9)
Jan. 28 it was reported company plans issuance and sale of $7,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers. **Registration**—Planned for May 8. **Bids**—Tentatively expected at 11 a.m. (EST) on June 9.

Gulf States Utilities Co.
Jan. 16, it was announced company is planning to sell $6,000,000 in common stock in June and a certain amount of first mortgage bonds later in the year. **Proceeds**—For construction program, expected to cost between $26,000,000 and $28,000,000 this year. The exact amount of the bond offering has not yet been determined. **Underwriters**—For common stock to be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp.; Carl M. Loeb, Rhoades & Co.

★ Helicopter Air Service, Inc., Chicago, Ill.
Feb. 9 it was reported company has applied to the CAB for a certificate of convenience covering service from Detroit to Cleveland, and also in Chicago, where the company is now operating a mail pick-up service in suburban towns. **Underwriter**—May be Cruttenden & Co., Chicago, Ill.

Illinois Central RR. (2/19)
Bids will be received up to noon (CST) on Feb. 19 at the company's office, 135 East 11th Place, Chicago 5, Ill., for the purchase from it of $4,500,000 equipment trust certificates, series 37 to be dated March 1, 1953, and to mature in 30 semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

• Jersey Central Power & Light Co.
Feb. 11 it was reported company plans to issue and sell $8,500,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Salomon Bros & Hutzler; Glore, Forgan & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc. **Offering**—Probably in April, 1953.

★ Jewel Tea Co., Inc.
Feb. 11 it was announced company plans to offer and sell to common stockholders about 142,000 shares of additional common stock (par $1) on a basis of one new share for each eight shares held. This will follow approval on March 31 of a split up of each present no par common share into two shares of $1 par value. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

★ Kentucky Utilities Co. (4/17)
Jan. 30 it was reported company may issue and sell $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Equitable Securities Corp. **Bids**—Tentatively expected to be received on April 17.

Long Island Lighting Co.
Dec. 15 it was announced company has established a bank credit in the amount of $40,300,000 extending to Dec. 1, 1953, to be refinanced by the issuance of new securities. **Underwriters**—(1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For preferred stock, may be W. C. Langley & Co. (3) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co.
Dec. 15 it was announced company may issue and sell in mid-year about $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.

Maine Central RR. (2/25)
Feb. 10 it was announced company will issue and sell $17,000,000 of first mortgage and collateral bonds due Feb. 1, 1983. **Proceeds**—For refunding. **Underwriters**—To be determined by competitive bidding. Probable bidders, Halsey, Stuart & Co. Inc.; Kidder Peabody & Co.; W. C. Langley & Co.; Coffin & Burr, Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co. **Bids**—To be received up to noon (EST) Feb. 25 at 222 St. John St., Portland, Me.

Merritt-Chapman & Scott Corp. (3/27)
Jan. 7, Ralph E. DeSimone, President, announced that primary rights would be issued to common stockholders of record March 27, 1953, to subscribe to additional common stock on basis of one new share for each five shares held (with an oversubscription privilege); rights will expire on April 14. There are presently outstanding 550,282 ($12.50 par) common shares, including shares reserved for scrip. **Proceeds** — For working capital. **Underwriter**—None.

• Metropolitan Edison Co.
Feb. 11 it was reported company plans to issue and sell in May about $8,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly).

Middle South Utilities, Inc.
Feb. 3 it was reported company may later this year issue and sell about $15,000,000 of additional common stock. **Proceeds**—To repay bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly).

Monongahela Power Co.
Dec. 11 it was reported company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and the First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

New England Electric System
Jan. 22 it was announced stockholders on Feb. 24 will vote on increasing authorized common stock from 8,500,000 to 11,500,000 shares and on a provision to provide in connection with preemptive offerings to stockholders that cash or full share rights may be issued in lieu of rights to fractional shares. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Not expected till later in year.

• New Jersey Power & Light Co.
Feb. 11 it was announced company plans issue and sale of about $5,500,000 first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co. **Offering**—Probably in May or June.

New Orleans Public Service Inc. (4/14)
Dec. 15 it was reported company plans to sell about $6,000,000 of first mortgage bonds due 1983. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids** — Tentatively scheduled to be received on April 14.

New York Central RR. (3/4)
Feb. 3 it was reported company plans to issue and sell at competitive bidding on March 4 an issue of $9,375,000 equipment trust certificates due in instalments over a period of 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Indiana Public Service Co.
Jan. 7 it was announced that company plans to issue and sell an additional $23,000,000 of new securities in the near future (in addition to 80,000 shares of cumulative preferred stock recently offered). **Proceeds**—For new construction.

• Northern Natural Gas Co., Omaha, Neb.
Feb. 4 filed an amended application with FPC for authority to construct pipeline facilities to cost an estimated $66,248,000 (compared with previous request covering $69,826,000). This would include about 425 miles of main pipeline. Probable bidders for $40,000,000

Continued on page 54

Continued from page 53

of debentures or bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly). Common stock financing will probably be done via rights.

Oklahoma Gas & Electric Co.
Nov. 13 it was announced company plans to issue and sell additional common stock at about a one-for-ten basis (2,411,945 shares of common stock outstanding). **Proceeds**—For new construction. **Underwriters**—May be determined by competitive bidding. **Probable bidders:** Lehman Brothers; The First Boston Corp.; Smith, Barney & Co. and Harriman Ripley & Co., Inc.

• Pacific Northwest Pipeline Corp.
Jan. 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Maxico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

Peninsular Telephone Co.
Jan. 27 it was announced company plans to offer for subscription by its common stockholders one additional share for each five shares held (including the shares to be issued upon payment to common stockholders of record Feb. 9 of a 20% stock dividend). **Price**—To be named later. **Proceeds**—For new construction and additions to property. **Underwriters** — May be Morgan Stanley & Co., Coggeshall & Hicks and G. H. Walker & Co.

• Pennsylvania Electric Co.
Feb. 11 it was reported company plans to issue and sell in June about $12,500,000 first mortgage bonds due 1983 and a like amount later on. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Kidder, Peabody Co.; The First Boston Corp.; Equitable Securities Corp.

Pennsylvania Power & Light Co.
Jan. 23, Charles E. Oakes, President, announced that new financing this year will require the sale of from $20,000,000 to $25,000,000 of first mortgage bonds, with total financing for the four-year period running about $65,000,000. If sold competitively, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co.; Smith, Barney & Co.

Peoples Gas Light & Coke Co.
Oct. 24 it was announced that company and each of its subsidiaries will issue mortgage bonds or other debt securities. **Proceeds**—To finance construction programs. **Underwriters**—To be determined by competitive bidders. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co.

• Permian Basin Pipeline Co., Chicago, Ill.
Feb. 4 company filed an amended application with FPC for authority to construct a 163-mile pipeline system at an estimated cost of $40,269,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York. Of the stock of this company, 51% is now owned by Northern Natural Gas Co.

Public Service Co. of New Hampshire
Nov. 3 it was announced company plans to issue and sell approximately $5,000,000 of bonds in May or June, 1953, and in the latter part of 1953 to issue sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. For stock, Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

★ Public Service Co. of New Mexico (3/17)
Jan. 30 it was reported company plans to issue and sell 30,000 shares of cumulative preferred stock (par $100). **Price**—To be named later. **Proceeds**—For new construction, etc. **Registration**—Expected about Feb. 25. **Underwriter**—Allen & Co., New York.

★ Public Service Co. of Oklahoma (3/17)
Jan. 30 it was reported company may issue and sell $6,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; White, Weld & Co. and Shields & Co. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received on March 17.

Public Service Electric & Gas Co.
Jan. 12 it was reported company plans issuance and sale in May of $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.

• Public Service Electric & Gas Co. (3/18)
Jan. 20, George H. Blake, President, announced that as a first step in raising funds to carry forward the company's construction program (to involve approximately $90,000,000 in 1953) it contemplates selling 750,000 shares of common stock. **Underwriters**—Last public stock financing in 1952 was handled by Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. (jointly). **Bids**—Tentatively expected to be received on March 18.

Resort Airlines, Inc. (2/20)
Feb. 6 it was announced company plans to offer for subscription by minority stockholders of record Feb. 20, 1,449,374 additional shares of capital stock (par 10 cents) at rate of one new share for each share held; rights to expire about March 16. **Price**—20 cents per share. **Proceeds**—For working capital, etc. **Underwriter**—None, but Fiduciary Management, Inc., owner of 8,956,240 shares, will buy all unsubscribed shares.

Rockland Light & Power Co.
Nov. 12, F. L. Lovett, President, announced company expects to raise about $24,000,000 in the next two years through sale of bonds, and preferred and common stock, viz: $5,500,000 of first mortgage bonds and $5,500,000 preferred stock in 1953 and $6,000,000 bonds, $6,000,000 preferred stock, and $1,000,000 common stock in 1954. **Proceeds**—For expansion program. **Underwriters** — For bonds and preferred stock may be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. (2) For preferred—Stone & Webster Securities Corp.; Lehman Brothers; W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly). Common stock will probably be offered for subscription by stockholders.

San Diego Gas & Electric Co.
Dec. 29 it was reported that the company plans some new common stock financing in the near future. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Seaboard Finance Co., Los Angeles, Calif.
Feb. 9, Paul A. Appleby, President, announced plans for offering an issue of non-convertible preferred stock (no par). **Proceeds** — For working capital and expansion. **Underwriter**—The First Boston Corp.

Smith (Alexander), Inc.
Jan. 16 it was announced company proposes to offer additional common stock to its common stockholders. Stockholders will vote April 15 on plan. **Underwriters**—May be Morgan Stanley & Co. and Dominick & Dominick, both of New York.

★ Southern California Gas Co.
Jan. 30 this company and Southern Counties Gas Co. applied to California P. U. Commission for authority to construct a 73-mile pipe line and other facilities at an estimated cost of $7,482,194. Of the total, Southern California would spend $5,600,000, and Southern Counties the balance. Bonds would be sold to pay one-half of the cost, and the remainder of the proceeds to come from sale of common stock to Pacific Lighting Corp., the parent. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders for Southern California bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Union Securities Corp. (jointly); Blyth & Co., Inc. Probable bidders for Southern Counties bonds: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co., Inc. (jointly); Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Company.

Southern Co. (4/15)
Jan. 28 it was reported company plans offering of about 1,000,000 additional shares of common stock (par $5) to stockholders of record about April 15 on a basis of one new share for each 17 shares held; rights to expire on May 7. **Price**—Expected to be named by company on April 13. **Proceeds**—To increase investments in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Equitable Securities Corp. and Union Securities Corp. (jointly); First Boston Corp.; Lehman Brothers; Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Tentatively expected to be received at 11 a.m. (EST) on April 15. **Registration**—Planned for March 13.

★ Southern Counties Gas Co. of California
See Southern California Gas Co. above.

Southern Indiana Gas & Electric Co. (3/25)
Jan. 30 it was announced company has applied to Indiana P. S. Commission for authority to issue 114,167 additional shares of its common stock (no par), to be offered first to common stockholders of record March 25 on the basis of one new share for each six shares held; rights to expire on April 10. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — Smith, Barney & Co. handled the last common stock offering in January, 1949.

Southern Natural Gas Co.
Nov. 3 FPC authorized company to construct pipeline facilities estimated to cost $32,518,500. On Sept. 15 it had been announced that the company expects to sell additional bonds during the first six months of 1953 in the amount then permissible under its mortgage indenture, and to provide for other permanent financing by the sale of additional first mortgage bonds or other securities in such amounts as may be appropriate at the time. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp., Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly). Any stock financing may be via stockholders.

Southern Ry.
Dec. 23 it was announced company plans to issue and sell $10,000,000 of St. Louis-Louisville division first mortgage bonds. **Proceeds**—For refunding. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co. **Bids**—Had been tentatively scheduled for Jan. 22, but offering has been deferred due to market conditions.

State Bank of Albany, N. Y.
Feb. 2 the bank offered to its stockholders 101,725 additional shares of capital stock (par $10) on the basis of one new share for each three shares held Jan. 29; rights to expire Feb. 20. **Price** — $25 per share. **Proceeds** — To increase capital and surplus. **Underwriter** — Salomon Bros. & Hutzler, New York.

Texas Electric Service Co. (4/13)
Dec. 15 it was reported company plans to issue and sell $9,000,000 first mortgage bonds due 1983 and 80,000 shares of preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For stock, Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co.; Union Securities Corp.; Harriman Ripley & Co. Inc.; The First Boston Corp. (2) For bonds, Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Union Securities Corp.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids**—Expected on April 13. **Registartion**—Tentatively scheduled for March 5.

Texas Power & Light Co.
Dec. 15 it was reported company may sell about $11,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly); White, Weld & Co.; Lehman Brothers. **Offering**—Tentatively expected in May.

Texas Utilities Co.
Dec. 15 it was reported that following completion of proposed financing by Dallas Power & Light Co., Texas Electric Service Co. and Texas Power & Light Co., subsidiaries (which see) the parent plans to offer additional common stock to stockholders. **Underwriters** — Union Securities Corp., New York.

Toledo Edison Co.
Oct. 3 it was reported company plans issue and sale of $7,500,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers. **Offering**—Probably early in 1953.

★ Trans-Northwest Gas, Inc., Spokane, Wash.
Feb. 4 sought FPC authority to construct and operate a pipeline system to serve eastern Washington and northern Idaho to cost an estimated $19,765,480. **Underwriter** May be Eastman, Dillon & Co., New York.

★ United Gas Corp.
Feb. 11 it was reported company may issue and sell in May or June about $20,000,000 of common stock to common stockholders on a 1-for-15 basis and $30,000,000 of debentures. **Proceeds**—For 1953 construction program. **Underwriters**—For stock, none. For debentures, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly).

★ Western Light & Telephone Co., Inc.
Feb. 2 it was announced the additional financing will be required during the early part of this year to carry out construction program. Type of financing has not yet been worked out. **Underwriters** — Harris, Hall & Co. (Inc.), Chicago, Ill., and The First Trust Co. of Lincoln, Neb.

Wisconsin Public Service Corp.
Nov. 26 it was announced that company plans permanent financing prior to June 1, 1953, which may include the issuance and sale of between $7,000,000 and $8,000,000 of bonds and from $2,000,000 to $3,000,000 of preferred stock. An indeterminate number of shares of common stock may be offered late in 1953 or early in 1954. Stock financing, if negotiated, may be handled by The First Boston Corp. and Robert W. Baird & Co. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harris, Hall & Co. (Inc.); Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

Join King Merritt

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif. — George T. Barkley and Arthur L. Larson have become affiliated with King Merritt & Company, Inc.

Douglass Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Lilian H. Nicolosi has become connected with Douglass & Co., 464 North Bedford Drive.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Noel McVickar, Jr. has joined the staff of Shearson, Hammill & Co., 9608 Santa Monica Boulevard. Mr. McVickar was previously with Daniel Reeves & Co.

With Taylor & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Lorenz C. Evers has become associated with Taylor and Company, 364 North Camden Drive.

Two With Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Donald Eisner and Hazel M. Rivett have joined the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

With Floyd A. Allen

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Joseph Sattler is now connected with Floyd A. Allen & Company, Inc., 650 South Grand Avenue. Mr. Sattler was previously with Standard Investment Co. of California and Gross, Rogers & Co.

Joins Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Justin S. Federman has been added to the staff of Hemphill, Noyes & Co., 510 West Sixth Street.

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., February 16, 1953

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable April 1, 1953, and a dividend of 37½c per share upon the outstanding $12.50 par value Common Stock of this Company has been declared payable April 1, 1953, to holders of record at the close of business March 12, 1953.

WM. B. PETERS, Secretary.

GREEN BAY & WESTERN RAILROAD COMPANY

The Board of Directors has fixed and declared $50.00 the amount payable on Class "A" Debentures (Payment No. 57), and a dividend of $5.00 to be payable on the capital stock out of net earnings for the year 1952, payable at Room No. 3400, No. 20 Exchange Place, New York 5, New York, on and after February 24, 1953. The dividend on the stock will be paid to stockholders of record at the close of business February 13, 1953.

No payment was fixed and declared as payable on Class "B" Debentures.

W. W. COX, Secretary.

New York, New York, January 29, 1953.

Atlas Corporation
33 Pine Street, New York 5, N. Y.

Dividend No. 45
on Common Stock

A regular quarterly dividend of 40¢ per share has been declared, payable March 20, 1953, to holders of record at the close of business on February 27, 1953 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, Treasurer

February 11, 1953.

LIQUIDATION NOTICE

Metuchen National Bank, located at Metuchen, in the State of New Jersey, is closing its affairs. All creditors of the Association are therefore hereby notified to present claims to the undersigned, at 85 Rector Street, Metuchen, N. J.

Phil T. Ruegger
Thomas D. Ainslie
Louis H. Meade
Liquidating Committee

Dated: January 20, 1953.

With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John H. Kennedy is now affiliated with E. F. Hutton & Company, 623 South Sring Street.

With Kerr & Bell

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Abie S. Ohanian is now with Kerr & Bell, 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was previously with Edgerton, Wykoff & Co.

DIVIDEND NOTICES

66th Dividend COMMON Stock

AMERICAN EXPORT LINES, INC.

The Board of Directors of American Export Lines, Inc., at a meeting held February 13, 1953, declared a quarterly dividend of thirty-seven and one-half cents ($.37½) per share on the Common Stock, payable March 13, 1953, to stockholders of record March 2, 1953.

C. J. Kinney
Secretary-Treasurer

February 13, 1953

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Delaware, February 16, 1953

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable April 25, 1953, to stockholders of record at the close of business on April 10, 1953; also 85¢ a share on the Common Stock as the first interim dividend for 1953, payable March 14, 1953, to stockholders of record at the close of business on February 24, 1953.

L. DU P. COPELAND, Secretary

Manufacturers of AE WALL & FLOOR TILE

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents a share on the Common Stock, payable March 3, 1953, to stockholders of record on February 25, 1953.

G. W. THORP, JR.
Treasurer

February 11, 1953.

AMERICAN Cyanamid COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A and Series B, payable April 1, 1953, to the holders of such stock of record at the close of business March 3, 1953.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of fifty cents (50¢) per share on the outstanding shares of the Common Stock of the Company, payable March 27, 1953, to the holders of such stock of record at the close of business March 3, 1953.

R. S. KYLE, Secretary

New York, February 17, 1953.

DIVIDEND NOTICES

LION OIL COMPANY

LION

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable March 17, 1953, to stockholders of record February 28, 1953. The stock transfer books will remain open.

E. W. ATKINSON, Treasurer

February 17, 1953.

LOEW'S INCORPORATED
MGM PICTURES · THEATRES · MGM RECORDS

February 18, 1953

The Board of Directors has declared a dividend of 20c per share on the outstanding Common Stock of the Company, payable on March 31, 1953, to stockholders of record at the close of business on March 13, 1953. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

CSC

COMMERCIAL SOLVENTS Corporation

DIVIDEND No. 73

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on March 31, 1953, to stockholders of record at the close of business on March 4, 1953.

A. R. BERGEN,
Secretary.

February 16, 1953.

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of fifteen cents (15c) per share, on the capital stock (without par value) of the Corporation, payable March 16, 1953, to stockholders of record February 27, 1953.

L. G. REGNER, Secretary.

February 17, 1953.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

At a meeting of Directors held February 10, 1953 in London it was decided to pay on March 31, 1953 first Interim Dividend of One Shilling for each One Pound of Ordinary Stock for the year ending September 30, 1953 on the issued Ordinary Stock of the Company, free of United Kingdom Income Tax.

Also decided to pay on the same day half-yearly dividend of 2½% (less tax) on the issued 5% Preference Stock.

Coupon No. 215 must be used for dividend on the Ordinary Stock and Coupon No. 99 must be used for dividend on the 5% Preference Stock. All transfers received in London on or before February 27th will be in time for payment of dividends to transferees.

Also decided to pay on April 30, 1953 half-yearly dividend of 3% (less tax) on issued 6% Preference Stock. All transfers received in London on or before April 7, 1953 will be in time for payment of dividends to transferees.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to the Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

February 10, 1953

DIVIDEND NOTICES

Newmont Mining Corporation

Dividend No. 98

On February 17, 1953, a dividend of Fifty Cents ($.50) per share was declared on the 2,658,230 shares of the Capital Stock of Newmont Mining Corporation now outstanding, payable March 13, 1953 to stockholders of record at the close of business March 2, 1953.

WILLIAM T. SMITH, Treasurer

New York, N. Y., February 17, 1953.

Johns-Manville Corporation

JOHNS-MANVILLE JM PRODUCTS

DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock payable March 12, 1953, to holders of record March 2, 1953.

ROGER HACKNEY, Treasurer

Public Service Electric and Gas Company

NEWARK, N. J.

QUARTERLY DIVIDENDS

Dividends of $1.02 a share on the 4.08% Cumulative Preferred Stock, $1.17½ a share on the 4.70% Cumulative Preferred Stock, 35 cents a share on the $1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending March 31, 1953, all payable on or before March 31, 1953 to holders of record at the close of business on March 2, 1953.

GEORGE H. BLAKE
President

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER.

A first interim dividend on the Ordinary Stock for the year ending 30th September 1953 of one shilling for each £1 of Ordinary Stock, free of United Kingdom Income Tax will be payable on 31st March, 1953.

Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 215 with the Guaranty Trust Company of New York, 32, Lombard Street, London, E.C. 3., for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less Income Tax) for the year ending 30th September next will also be payable on the 31st March, 1953.

Coupon No. 99 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W.C.2., for examination five clear business days (excluding Saturday) before payment is made.

DATED 10th February, 1953.

BY ORDER
A. D. McCORMICK,
SECRETARY.

Rusham House,
Egham, Surrey.

Stockholders who may be entitled by virtue of Article XIII (1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

DIVIDEND NOTICES

CONSOL

The Board of Directors of

PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on March 12, 1953, to shareholders of record at the close of business on February 27, 1953. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer

February 16, 1953.

PHELPS DODGE CORPORATION

The Board of Directors has declared a quarterly dividend of Sixty-five Cents (65¢) per share on the capital stock of this Corporation, payable March 10, 1953 to stockholders of record February 25, 1953.

M. W. URQUHART,
Treasurer.

February 13, 1953

Reeves makes the fabric

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A quarterly dividend of 30c per share has been declared, payable March 13, 1953, to stockholders of record at the close of business March 2, 1953. The transfer books of the Company will not be closed.

J. E. REEVES, Treasurer

February 16, 1953.

UFC

UNITED FRUIT COMPANY

215th

Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable April 15, 1953 to stockholders of record March 13, 1953.

EMERY N. LEONARD
Secretary and Treasurer

Boston, Mass., February 10, 1953

YALE & TOWNE

DECLARES
259th DIVIDEND

50¢ PER SHARE

On Jan. 29, 1953, dividend No. 259 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on April 1, 1953, to stockholders of record at the close of business March 10, 1953.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1899

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Some day, a suitably discreet time after the first session of the Eighty-third Congress has vanished into history, it is possible to imagine most of the bigwigs of the Republican party conclaving to give the lovable old Dan Reed a testimonial dinner.

For Dan has given the GOP its biggest propaganda break in recent history.

All the palaver about whether the Reed tax cut bill will or will not pass, will be bottled up, etc., etc., has not changed one iota the fundamental outlook for or against tax relief.

This outlook, as the President and Bob Taft and all the other responsibles have stated it, is that the Federal budget shall be balanced first. After that, tax reduction can come. All Uncle Dan has done has been to jump the gun and sincerely toot his horn for the bill to end the Excess Profits Tax on June 30 and at the same time wipe out the second or final personal income tax raise of 1951.

For 20 years the GOP has been harping at the unbalanced budgets of the Roosevelt-Truman era. For two decades the GOP has been asserting the need for balancing the budget.

Consequently, for the GOP, in the first few weeks after it assumed office, to hold forth hastily the official promise of tax relief, would be to give the Democratic opposition the most wonderful opening. The GOP is not falling for that. Likewise it is recognizing that outpayments for price supports, or for a possibly enlarged Korean war, or for other unforeseen contingencies could preclude balancing the budget in fiscal 1954. Then if the GOP had prematurely promised tax relief, it would be doubly ridiculous. It would have both vitiated its firm stand of 20 years for a balanced budget, and end up having to renege on that promise if circumstances did not permit.

The idea of balancing the budget first is no mere pose, of course, but the ardent belief of the great majority of the Republicans on both ends of Pennsylvania Avenue.

For Chairman Dan Reed of the Ways and Means Committee, to try to run the tax cut racecourse before the budget-is-balanced gun has been fired, gives the GOP this best propaganda break in years. By issuing statements every other day slapping down one of their very own boys, the GOP has been able to get across to even the moron trade as it never could have been done otherwise, the idea that Republicans mean business when they say they want to balance the budget first.

Actually, assuming the retired Truman's estimate of expenditures for fiscal 1954 is in all probability too high, as usual, and assuming some success with a recission of existing expenditures, and also assuming that Charley Wilson at Defense can crack some brass heads and reduce the proliferation and variety of duplicating weapons the military is ordering, there will be elbow room to balance the budget and pass the Reed bill.

It is acknowledged that the Reed bill is the logical political device, for it affords some individual income tax relief at the same time it affords tax relief for business.

But, Republicans are emphatic in pointing out, they will wait to see what success they have in promoting a balanced budget, and what luck they have in avoiding unforeseen contingencies. That will be in May or June. But with a decent break, it will be the Reed bill.

Seek New Form of EPT

Some of the brighter boys are now working on a new form of "Excess Profits Tax."

The present tax arbitrarily assumes that any income above an average of certain base years is "excess" and applies the tax to the alleged excess.

Pressure for the notion of an "Excess Profits Tax" comes from two main sources. First, there are those who fuzzily think that such a tax can "take the profit out of war." The need for a tax for this purpose has become obsolete with the power of the procurement agencies to "reprice" all defense contracts, even those let on competitive bids, every 90 days, and with the further power of the government to renegotiate and recapture undue profits of any defense contractor. Both devices can wring any handsome profits out of contractors.

Second, the pressure comes from the big labor unions. The unions want the EPT on the theory that if the tax is high enough the resistance of management to constantly higher wage demands will be weak.

The new scheme is to have something like an additional three to five points of regular corporation income tax above a certain base — maybe it would be 47% or 50%—called an "Excess Profits Tax."

Virtue of such a scheme would not be the avoidance of a tax burden but the avoidance of the fantastic headaches which have arisen out of the attempt by law to legislate against a moral concept that certain profits are "excess."

This special increment of new "Excess Profits Tax" would be applied only in a war emergency. It wouldn't please Walter Reuther and John Lewis, but it would raise the revenue and quiet others.

Benson Is Firm

While Agriculture Secretary Benson's stand against price supports got considerable attention as a result of his address in St. Paul, the Secretary's carefully-composed, affirmative statement of his philosophy received only the most inadequate attention.

For 20 years it has been current dogma that what was good for farmers was good for the country, and no expense was too great to maintain farm prosperity.

Mr. Benson has enunciated a philosophy that while farm prices do fall and there is some need for governmental assistance, the main problem of farmers is to adjust their production to demand, improve their business themselves, and to get along with a minimum of Federal bounty.

Neither this nor any other correspondent can adequately summarize or extract the Secretary's statement briefly, however. For those who want to see precisely what the new philosophy is toward agriculture, the statement is worth reading. It is entitled "General Statement on Agricultural Policy," by Ezra Taft Benson, Secretary of Agriculture, and appears elsewhere in this issue.

Congressional Restiveness Is Over-Emphasized

While, as reported last week, there is restiveness in Congress over falling farm prices, this restiveness, it was ascertained upon inquiry, has been over-emphasized.

The chief yelps about falling cattle prices have come from the Democrats, who are also agitated about the price of cotton. The Democrats will continue the drumfire of attack against Secretary Benson for not using his discretion to support cattle and other perishables, on the theory that if farm prices continue to sag, they are building up a record for campaign purposes. If prices, after some sagging, hold, as Benson seems to expect, then the public will forget the Democratic yelps.

Another source of complaints —for the record — has come from north central state Congressmen. These M C's, however, are talking primarily for home consumption, and wish to get across the point that so long as peanuts, cotton, and tobacco—southern crops — are supported at 90% of parity, they want wheat, corn, and dairy product prices also subsidized.

These north central Congressmen, however, do not intend to follow through and put intensive heat upon Benson.

Against the public clamor of the Democrats and north central state Congressmen, however, it is noted that not a single Republican in Congress responsible for farm legislation has joined the pack nipping at Mr. Benson's heels.

Second, by and large, neither of the major farm organizations, the Farm Bureau or the Grange, are criticizing Benson. As a matter of fact, these organizations for a long time have felt that ultimately mandatory high price supports would defeat the thing they and Benson have in common—Treasury support to prevent undue crashes in the values of farm commodities.

Finally, the cattle industry through its own responsible spokesmen has not joined the clamor for government buying of beef cattle. This industry by and large has opposed both price supports and price control. Only a few individuals on the fringe of this business are doing the hollering.

Morse Foreshadows New Lefty Line

After the Treasury has taken its first small step toward lengthening out the average maturity of the Federal debt, by offering a 1-year 2¼% certificate and a 5-year 10-month bond, Senator Wayne Morse heralded what is going to be the inevitable attack of the left-wing on the new debt management program.

Morse observed that the Treasury was paying more money to banks and insurance companies at the expense of the poor little taxpayer. This recalls an incident in the early '30's, when the Treasury, under President Hoover was attempting to wriggle out of the short-term box in which the money market was putting financing.

Although the longer-term issue the Treasury offered at the time was virtually a failure, and although Treasury officials by phone put the bite on big institutions to take up quotas on this issue, this did not stop the left-wing press from yelling that Mr. Mellon was offering his financial clients a nice juicy interest rate when they would lend for three months for next to nothing — if Mellon hadn't just been taking care of his pals, as the lefties put it.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Of course it will look better if you buy the 'extras'!"

Business Man's Bookshelf

Black Market Yearbook: 1953—Franz Pick—Pic's World Currency Report, 75 West Street, New York 6, N. Y.—$25.

Brazilian Exchange Regulations — Translation of implementing regulations as revised up to Feb. 6, 1953—Foreign Division, The First National Bank of Boston, Boston 6, Mass.

Consumer Credit Facts for You — Wallace P. Mors — Bureau of Business Research, Western Reserve University, 167 Public Square, Cleveland 14, Ohio — Paper—30c.

France, German and NATO: Our Number One Problem—James P. Warburg — Current Affairs Press, 25 Vanderbilt Avenue, New York 17, N. Y.—Paper—50c.

Independent Bank Survival: The Issue for Country Banks in New York State—New York State Bankers Association, 33 Liberty Street, New York 5, N. Y.—paper.

International Shipping Cartels—Daniel Marx, Jr.—Princeton University Press, Princeton, N. J.—Cloth—$6.

Managing Your Money—J. K. Lasser and Sylvia F. Porter — Henry Holt and Company, 383 Madison Avenue, New York 17, N. Y.—Cloth—$4.95.

Small Loan Laws of the United States—Bureau of Business Research, Western Reserve University, 167 Public Square, Cleveland 14, Ohio—Paper—30c.

Two Ways to Stop Strikes — Leonard E. Read—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—Paper—No charge for single copies; quantity prices on request.